ROYAL CERAMICS LANKA PLC
ANNUAL REPORT 2019/20

IN BLACK AND WHITE

IN BLACK AND WHITE

As we look back on an extraordinary, exciting and eventful history spanning three decades, at Rocell, we have always held fast to our pledge of excellence; serving our many stakeholders across the island and beyond with the same quality and finesse that we possess today.

As we navigate one of the most challenging years we have ever faced, we continue to draw on our inherent values to maintain our stance as a strong and reliable partner to all our stakeholders and to the nation itself, for we are confident of better times ahead and a renewal of opportunities for sustainable value creation.

As always, your company has delivered another commendable performance amidst a challenging year as reviewed in this report, describing just how we created good value for all our stakeholders, while setting out in black and white the vision, values and strategy that will drive our progress into the years ahead.

Rocell
Eternal elegance

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QUALITY & FINESSE

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ABOUT THIS REPORT

GRI - 102-45 | 102-46 | 102-48 | 102-49 | 102-50
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An integrated reporting approach enables stakeholders make a more informed assessment of the value created by the Rocell Group of companies and its prospects. In our fourth integrated report, we extended our focus on how the Group managed the material issues over the last twelve months ended 31st March 2020 particularly the severe impact of the COVID-19 pandemic. We follow the International Integrated Reporting Councils (IIRC) six capitals model to explain the integrated thinking of the Board by aligning our performance and corporate strategy to the value delivered to stakeholders.

Scope and Boundary

This report covers the activities of the parent company, Royal Ceramics Lanka PLC (Rocell), 18 subsidiaries and two associate companies. The list of Subsidiaries and grouping of the same into segments for reporting is given on page 10.

Assurance

Assurance on the Financial Statements has been provided by Messrs. Ernst & Young.

Regulatory Frameworks

- Companies Act No.7 of 2007
- Continued Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No.15 of 2015
- Sri Lanka Financial Reporting Standards

Voluntary Frameworks

- Integrated Reporting Framework issued by the International Integrated Reporting Council
- Core option of the GRI standards
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka December 2017
- Sustainability Development Goals
- Communicating Sustainability issued by the Colombo Stock Exchange
- Sustainability Standards issued by the Global Reporting initiative

Read this Report online
https://rocell.com/en/investor-relations
https://rocell.com/en/report

FORWARD LOOKING STATEMENTS

We have included forward looking statements in this report, particularly in assessing risk and opportunities, and discussion of our future plans which are based on our perceptions, opinions and views of external and internal information available to us at present as we believe these aid the assessment of the future performance of the Group. These statements, assessments and estimates have varying degrees of uncertainty associated with them which we will know only with the benefit of hindsight as they relate to future events, outcomes and impacts which are beyond our control. We believe the COVID- 19 pandemic impacts significantly elevate the uncertainties above normal levels and advise users of this report to make their own judgements as the forecasts regarding the same remain extremely fluid and volatile even as at the reporting date. This information is provided without recourse or any liability whatsoever to the Board or other prepares of the Annual Report due to the relatively high levels of uncertainty regarding the same.

SIGNIFICANT CHANGES DURING THE YEAR

The report complies with all relevant voluntary and regulatory frameworks as described above. The date of our most recent report was 31st March 2019.

SUSTAINABILITY INFORMATION

The report includes sustainability information related to the material topics of the business. We used the guidelines issued by the Global Reporting Initiatives (GRI) to report key sustainability indicators of the Group.

ACKNOWLEDGMENT

The Board acknowledges its responsibility to ensure that the Annual Report provides a balanced view of its performance. All information contained in the Annual Report has been reviewed internally by the senior management.

Dhammika Perera - *Chairman*

L N de S Wijeyeratne - *Audit Committee Chairman*

Aravinda Perera - *Managing Director*

Feedback and Inquiries

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ABOUT US

GRI - 102-1 | 102-5 | 102-6

ROYAL CERAMICS LANKA PLC (Rocell) started its journey in 1990 with the establishment of our first tile manufacturing facility in Eheliyagoda with an aim to build a brand based on design, innovation, integrity and quality. This was followed by the commencement of Royal Porcelain (Pvt) Limited in 2002, Rocell Bathware in 2009 and the acquisition of Lanka Ceramics in 2013 through which the brand 'Lanka Tiles' became part of the Rocell Group of Companies, further strengthening the Group is competitive position in the tile industry. Together, we drove a revolution in design and architecture by innovating masterpieces which enhance the aesthetic appeal of consumer homes in both local and export markets. Every year, Rocell creates new designs, textures and colours to set new trends and drive our brand image as one of the most sought-after lifestyle brands in Sri Lanka. We leverage on our manufacturing excellence to transform these innovative ideas to high quality product ranges, meeting international quality standards. In recognition of our premier manufacturing expertise, Rocell received the CNCI Award (Ceylon National Chamber of Industries) in 2019 for the 2nd time affirming our sustained leadership in innovation and manufacturing excellence. In addition to maintaining our firm footprint in the tile industry, the acquisition of Lanka Ceramic in 2013 extended our presence to three new industries including Plantation, Aluminium and Packaging which accounted to 27% of Group revenue in 2019/20.

Our Business Segments

Tiles and associated items	We create innovative porcelain and ceramic wall and floor tiles which add colour, texture and design to enhance the aesthetic appeal of properties. These tiles are supplied to customers in domestic and 14 export regions under two primary brands namely "ROCELL" and "LANKATILES".
Sanitaryware	Rocell Bathware supplies premier sanitaryware products and customized product ranges to both local and five export markets.
Plantations	Cultivation and processing of tea, rubber and oil palm.
Aluminium	Manufacture high quality aluminium extrusions and a wide range of aluminium profiles.
Packaging	Supplies environmentally friendly packaging materials to various businesses especially in the export sector including tea, garments, ceramics and food and beverages.
Mining	Mining for supplying of raw material to the ceramic industry.

GRI - 102-3 | 102-4 | 102-6

Key Numbers

Rs. 31,554Mn Group revenue	Rs. 5,822Mn Operating profit	Rs. 2,761Mn Profit after tax	Rs. 65,145Mn Assets
Rs. 30,602Mn Liabilities	9,626 Employees	537 Business partners	4,355 Suppliers

Economic Impact

- Among the leading players in seven broad economic sectors
- Economic value addition of Rs. 16,878Mn
- 9,626 Direct employment
- 36% female participation
- Source products from 2,984 SME entrepreneurs
- High quality value added exports of Rs. 914Mn to 14 countries
- Direct taxes of Rs. 1,447Mn
  Indirect taxes of Rs. 3,345Mn

Our Milestones

1991
Commenced operations as a tile manufacturer.

2002
Commenced operations of Royal Porcelain (Pvt) Ltd.

2009
Commenced operations of Rocell Bathware Limited.

2011
Acquired 20% stake on Delmege Ltd.

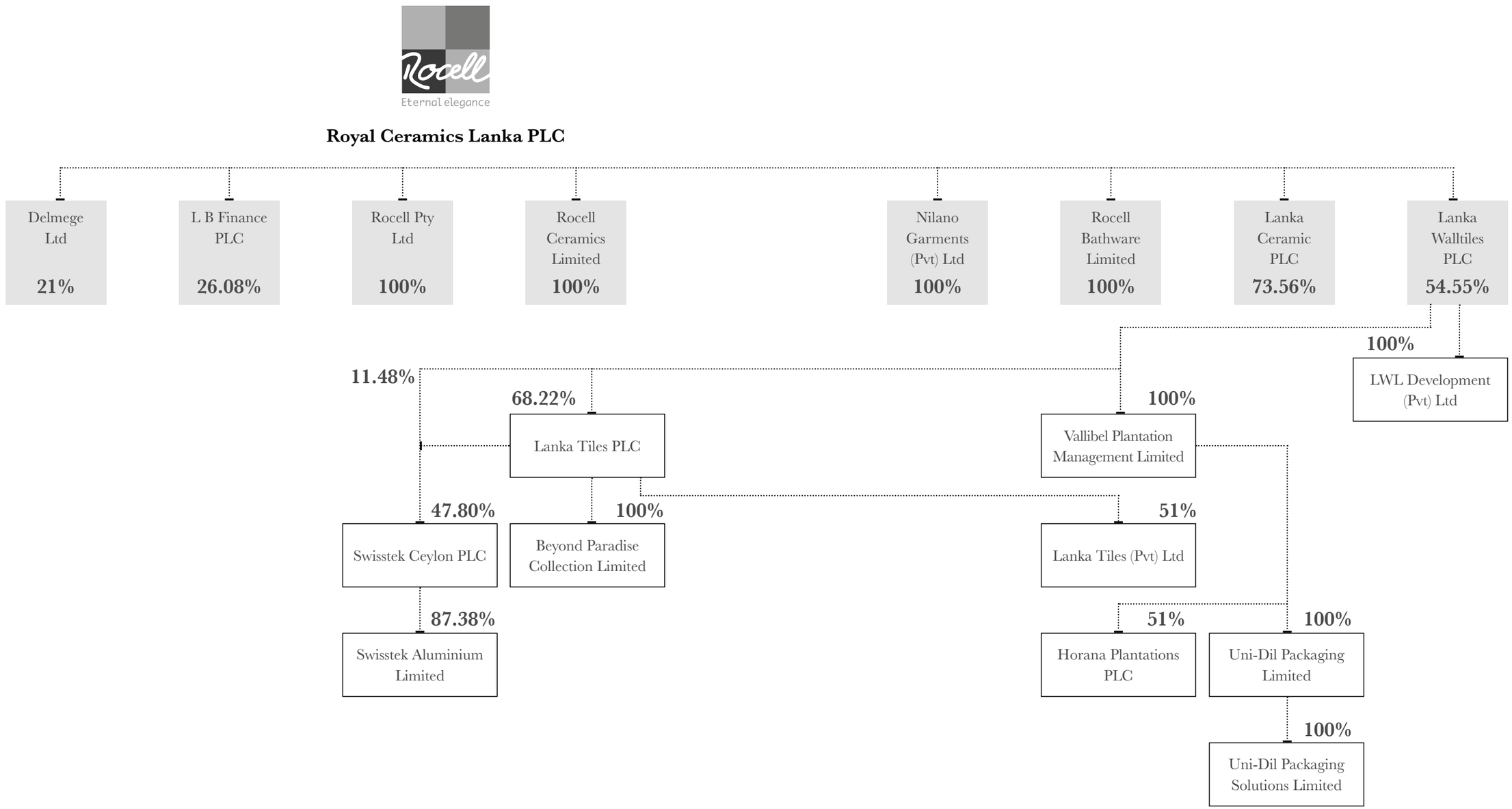
2012
Acquired 25.85% stake in L B Finance PLC.

2013
Acquired 76.54% stake on Lanka Ceramics PLC.

2014
Commenced Rocell Pty Ltd in Australia.

2019
Amalgamated Royal Porcelain (Pvt) Ltd.

GROUP STRUCTURE



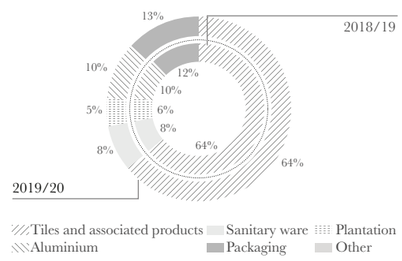
FINANCIAL HIGHLIGHTS

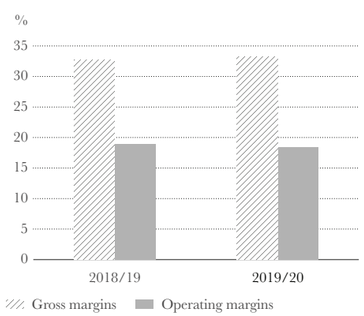
Rs.Mn	2019/20	2018/19
Revenue	**31,554**	31,499
Operating profit	**5,822**	5,955
Profit before tax	**3,566**	4,085
Profit after tax	**2,761**	3,083

FINANCIAL PERFORMANCE

0.2%
Revenue Growth

SECTOR WISE REVENUE

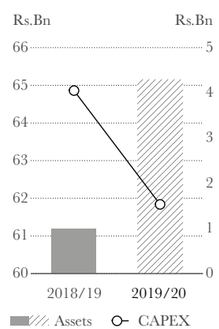




EFFICIENCY

Current ratio of 1.2 times in line with last year.

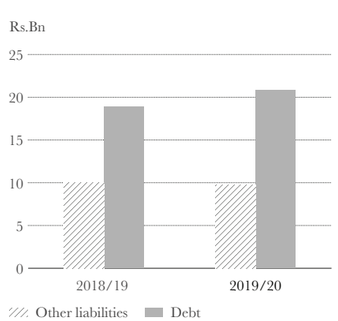
Quick assets ratio of 0.34 times compared to 0.40 times last year



ASSETS

Rs. 65Bn
6.5% Growth

Shareholder Returns	2019/20	2018/19
Earnings per share (Rs.)	**23.34**	23.75
Dividend per share (Rs.)	**-**	4
Market value per share (Rs.)	**55.90**	59.00
Net asset value per share (Rs.)	**226.87**	207.51
Return on Equity (%)	**8.00**	9.6



LIABILITIES

Rs. 31Bn
5.7% Growth

NON-FINANCIAL HIGHLIGHTS

	Unit	2019/20	2018/19	Variance (%)
Human Capital				
Number of employees	Number	**9,626**	9,806	-2%
Female participation	Number	**3,473**	3,547	-2%
New recruits	Number	**1,883**	2,109	-11%
Investment in employee training	Rs.Mn	**6.0**	20.08	-70%
Average training hours per employee	Hour	**5.33**	4.52	18%
Employee retention rate	%	**79**	82	-3%
Manufactured and Intellectual Capital				
Value of Property, Plant and Equipment	Rs.Mn	**17,851**	18,319	-3%
Capital expenditure	Rs.Mn	**1,521**	4,036	-62%
Depreciation and amortization	Rs.Mn	**1,843**	1,696	9%
Investment in Research and Development	Rs.Mn	**110**	77	43%
Social and Relationship Capital				
Dealers	Number	**349**	293	19%
Distributors	Number	**106**	86	23%
Consignment Agents	Number	**12**	12	0%
Showrooms	Number	**57**	58	-2%
Factory Outlets / Hybrid Showrooms	Number	**20**	18	11%
Franchises	Number	**70**	58	21%
Member in Tilers clubs	Number	**4,725**	4,543	4%
Number of suppliers	Number	**4,355**	4,371	0%
CSR Expenditure	Rs.Mn	**6**	42	-85%
Natural Capital				
Raw materials consumed				
Minerals	MT	**316,270**	291,111	9%
Aluminium Billets	MT	**4,943**	6,150	-20%
Energy consumption	Kwh	**70,493,542**	65,966,697	7%
Water withdrawn	Litres	**380,601,117**	386,201,405	-1%
Effluents discharges	Litres	**196,239,332**	178,330,120	10%

CHAIRMAN'S MESSAGE

Rocell's passion to transcend the ordinary keeps us at the cutting edge of design and innovation, attuned and responsive to customer needs. Over the years, it has been the motivation to move beyond tiles to complementary areas, addressing customer pain points with innovative solutions.

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Dear Shareholders,

Rocell powered through a challenging business landscape to unlock the value of investments in people, technology, and processes to grow profit after tax by 1,020% to Rs. 647Mn. Our focus on delivering value to customers enabled us to deliver strong earnings growth to shareholders as earnings per share grew from Rs. 0.52 in the previous year to Rs. 5.84 in 2019/20 facilitated by both the unlocked value and the amalgamation of Royal Porcelain (Pvt) Ltd.

Consolidated results for the Royal Ceramics Group remain stable, buoyed by the excellent performance of the Tiles, Financial and Packaging sectors which serve as a safety net for losses incurred by the other sectors. Importantly, a strong balance sheet with comfortable gearing supports navigation of an even more challenging year ahead as the world resets to a new norm in 2020 with the easing of lockdown measures.

COVID-19 IMPACTS

We are living through unprecedented times as a highly connected world struggles with the challenges of a pandemic and an economic crisis at the same time. Lockdown measures implemented to contain contagion gave rise to an economic crisis widely expected to be the worst since the Great Depression of the 1930s. Supply and demand shifts have been dramatic, and the clear winners will be those who see and seize the opportunities in these seismic changes that the world is experiencing at present.

We have enabled working from home for administrative roles with adequate safeguards and these functions have continued without pause. Health and safety aspects have been ramped up to meet the requirements of local health authorities which are monitored by them on a regular basis. Group Management are engaging with banks to negotiate moratoria on existing facilities and set in place additional funding lines in case of need.

Tiles, Sanitaryware and Bathware sectors stand to benefit from the decrease in imports into the country. However, these are discretionary items and it is likely that new projects will be deferred although projects that have already commenced will continue to support demand. We have already witnessed an uptick in sales since commencement of operations in May and are cautiously optimistic about movement of inventory in the months ahead. All factories in the Group have been operating below optimal capacity due to health and safety measures implemented exerting pressure on margins. Demand for aluminium is also likely to be at a low ebb, offsetting potential advantage that may accrue from lower raw material prices. Packaging is likely to be more resilient as demand for products continues to gather momentum. Plantations is expected to benefit from the health benefits of tea and increased demand for rubber due to a surge in personal protective equipment requirements. It is more difficult to assess the impact on the financial sector due to the volatility of a number of variables but we are cautiously optimistic that the earnings will remain stable.

EVOLVING

Rocell's passion to transcend the ordinary keeps us at the cutting edge of design and innovation, attuned and responsive to customer needs. Over the years, it has been the motivation to move beyond tiles to complementary areas, addressing customer pain points with innovative solutions. Sanitaryware and bathware have been added to provide one stop shop solutions to customers, empowering them to make holistic choices. This year, we added Rocell branded kitchens to our offering to offer customers modern kitchens that reflect their lifestyle enabling them to select their bathrooms as well as their kitchens in our stores. Lanka Walltiles added a range of bath and sanitaryware branded Coloma to their showrooms pursuing the one stop concept. Swisstek's collaboration with Etem opens up new possibilities as we move into downstream value addition through proprietary systems for high rise buildings and other applications. Uni-Dil has driven growth through new customer acquisition and enhanced capability. Horana Plantations is focusing on diversification into non-traditional crops to stabilise earnings which is necessary in this 150+ year old industry.

OPPORTUNITIES

Our corporate ecosystem supports agile strategy coupled with the resources required to pursue potential opportunities which puts us in a strong position to compete effectively. In Tiles and Sanitaryware, our brands Rocell and Lanka Tiles are the market leaders in the domestic market and it is focusing on driving exports. International certifications for socially and environmentally responsible manufacture across industries support our aspirations, enabling us to unlock even more value. I am pleased to report that exports of bathware made under license for a globally reputed original equipment manufacturer (OEM) is now over the initial teething issues and moving into a stable production pattern. We have also commenced manufacture for a second OEM in 2020/21 and expect this to support export growth. Swisstek Aluminium also commenced exports to the EU, meeting its stringent qualitative criteria with relative ease. Despite the forecast 30% decline in world trade, we believe there will be opportunities for Sri Lanka due to importers reassessing supply chains through multiple lenses and plan to pursue them.

RISK & GOVERNANCE

We welcomed Mr. Nivran Weerakoon as an Independent Non-Executive Director and Mr. Sameera Liyanage as a Non-Executive Director on to the Board during the year, strengthening the Board. A formal induction programme enabled them to understand the operations of the Group which included discussions with the Managing Director and the Group's Senior Management.

Royal Porcelain (Pvt) Ltd., operations which manufacture porcelain and glaze ceramic tiles was amalgamated with Royal Ceramics Lanka PLC on 1st November 2019 reducing the administrative burden significantly and enhancing operational efficiencies.

The Board has stepped up its oversight role post COVID-19 in view of the elevated uncertainties and conduct biweekly web conferences to review and monitor operations and progress of each sector. Additionally, they also scan external developments to understand emerging threats and opportunities and assess their impacts on the operations the Group's business sectors. Risk management has gained precedence on the Board's agenda with additional time devoted to addressing plausible scenarios and formulating appropriate responses. Our Business Continuity Plans have been strengthened to address future lockdowns and other business interruptions.

The Board has also implemented several prudential measures to preserve liquidity and curtail losses to provide safety nets in case of a slow recovery. Accordingly, the Group has frozen recruitment, capital and discretionary expenditure. We will continue to reassess the requirement for additional oversight from time to time and ease the frequency when operations normalise to an acceptable level.

ACKNOWLEDGEMENTS

I wish to thank the staff of the Rocell Group for pulling their weight in a difficult year to deliver a stable performance on behalf of the Board and request them to redouble their efforts in a year that is likely to be more difficult than the last. Our business partners including our Bankers have been key enablers and we thank them for their support over the years. I am deeply appreciative of the diverse perspectives and insights provided by the members of the Board, enriching our deliberations and their diligent oversight, particularly during periods of elevated concerns. I also wish to convey my appreciation of the confidence our shareholders have had in the prospects of this Group and the Board's ability to direct the affairs. I look to the continued support of all our stakeholders in a year of unprecedented challenge and promise.

Dhammika Perera
Chairman

MANAGING DIRECTOR'S MESSAGE

An innovation culture, and research and development processes ensure that our portfolio is vibrant and future forward, creating a wide range of moods and looks for varying purposes.

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Royal Ceramics Lanka PLC delivered a commendable performance in a difficult year recording a profit after tax increase by 1,020% to Rs. 647Mn due to the amalgamation of Royal Porcelain which enabled administrative efficiencies. With expansion projects undertaken in the previous year enhancing our capabilities, we were able to focus on competing effectively in the domestic market with world class products, catering to an increasingly discerning clientele. Group performance remained resilient in an extraordinarily challenging year with good performances by the Tiles, Finance and Packaging sectors cushioning the losses of the Plantations and Aluminium sectors, and a decline in the profitability of the Sanitaryware sector. All sectors within the Group are front runners in their respective industries, reflecting strong customer value propositions and the Group's commitment to excellence.

DELIVERING GROWTH

Top line growth in Tiles was encouraging as we added over 200 new designs and enhanced the functionality of our portfolio. We added new ranges such as a non-slippery outdoor tile and also increased the size of the tiles produced. Monoporosa wall tiles were introduced into the market which is the Company's first venture into wall tiles which will delight customers as they will now have specially designed tiles for their walls instead of adapting floor tiles for use on walls while easing the pressure on margins. Additionally, the completion of large projects boosted the top line. Accessories also performed better than the previous year. The Tiles sector also benefited from the shorter supply chains with bulk of the raw materials sourced in the domestic market. Disappointingly, exports of tiles suffered a setback, but every effort is being made to grow exports despite the challenging times.

Exports of bathware made under license for two OEM clients commenced during the year and has done well as we have now moved past the corrective phase to normalised steady production. Sanitaryware was impacted by the higher exchange rates as bulk of raw materials were procured from overseas suppliers.

Rocell launched the kitchen project in August 2019, adding sleek cabinets to its range of products, seizing the opportunity to expand our portfolio while enabling customers to have their dream kitchens. Two Rocell showrooms now display kitchen cabinets made with boards imported from Italy. We have also made arrangements for appliances to be sourced with leading consumer brands. The hardware is imported from Blum of Austria while accessories are provided by Inoxa in Italy, bringing the latest design trends and technology under one roof. Our concept stores have designers who will customise and show 3d models of proposed layouts to enable customers to visualise the concepts. Rocell is the only company to provide the total solution from kitchen cabinets, hardware and accessories complementing the floor and wall solutions in place, bringing an unparalleled offering for kitchen design in Sri Lanka.

AN INNOVATION ECOSYSTEM

An innovation culture, and research and development processes ensure that our portfolio is vibrant and future forward, creating a wide range of moods and looks for varying purposes. Structured stakeholder engagement with customers and influencers such as Architects and Developers provide us with insights on pain points and ideas for improvement. Regular attendance at exhibitions support an appreciation and understanding of design trends and drive collaborations with leading innovators. We also work closely with material suppliers who support the design development of proprietory products. Through these established mechanisms, Rocell has built an ecosystem that stimulates and supports innovation, enabling us to compete effectively.

Rocell led the initiative to launch the Colombo Design Conclave, a platform that brings together the country's design and architectural fraternity with the objective of collaborating with professionals in the field to re-imagine the design sphere of Sri Lanka. This initiative seeks to add value to the country's design and architectural platform, by way of bringing new ideas and novel concepts to the focus. Our vision is that the Colombo Design Conclave at the Rocell Design Hub will be a catalyst for all industry stakeholders to work together and innovate.

Our passion for innovation extends to manufacturing aspects which are supported through a partnership with the Moratuwa University, enabling us to tap into the country's top talent pools. Our own initiatives such as Total Product Maintenance and Six Sigma have yielded results, improving both margins and the environmental impacts of our business.

REFLECTIONS ON 2019/20

The reporting year was marked by elevated levels of political uncertainty that escalated with the Easter Sunday terror attacks which weighed on economic growth for the most part of the year. Resultant business closures were manageable although the overall decline in consumer spending power contributed to a decrease in housing approvals and private sector credit for housing. Balance of payment and trade deficits gave rise to restrictions on imports of non-essential items for a few months and an increase in exchange rates. This proved favourable for local tile manufacturers as imports became more expensive and limited the entry of cheap imports into the local market. Several policy measures were implemented to reduce interest rates to stimulate moderating economic growth which was favourable although it impacted margins in the finance sector.

Customers have become more discerning and more price conscious due to the impact of moderating economic growth. Lanka Walltiles factory outlets have become popular as customers opted for a no-frills approach to stretch budgets and Rocell has also supported the growth of these outlets by placing our surplus.

World trade was at a low ebb for most of the year due to elevated US China trade tensions which also presented some opportunities for export growth as importers wished to strengthen supply chains through diversification of their source markets. We continue to pursue export growth as our products are of world class standard produced in a socially and environmentally responsible manner, supporting access to markets.

We closed the year in lockdown due to the COVID-19 pandemic losing several business days in a typically busy month. Up to now, we have lost several days of sales in the new financial year 2020/21 but we are encouraged by the return to work since 11th May 2020 and the gradual normalizing of economic activity. There is no doubt that the year ahead will be more difficult than 2019/20 as the world goes through a recession but our plans have become more refined and we believe that the year will also yield new opportunities for growth. We continue to focus on the forecast growth for 2021 and position ourselves for long term sustainable growth.

STABILITY & PROFITABILITY

Rocell, the Company, recorded a resilient year delivering a profit after tax of Rs. 647Mn compared to Rs. 239Mn in the previous year. Strong bottom line growth was supported by the amalgamation of Royal Porcelain and improvements in gross margins. This enabled absorption of increased expenses including finance costs and delivery of a significantly higher bottom line.

The Group has delivered a stable performance in a difficult year, recording a profit after tax of Rs. 2.76Bn compared to Rs. 3.082Bn in the previous year. The diverse nature of the business sectors necessitates a more granular analysis by sector to understand the overall impacts on Group performance as an overview will mask the achievements and the misses and I refer you to the Sector Review below this.

The Group remains financially stable while the diverse sectors provide a hedge against sector specific risks. A comfortable gearing ratio of 37.6% affirms the stability of the Group with sufficient room for further borrowings in case of need. Total assets of Rs. 65Bn is supported by Property, Plant and Equipment of Rs. 27Bn comprising mainly to specialised manufacturing facilities of the Group.

SECTOR REVIEW

Tiles is the largest sector in the Group accounting for 63% of total assets and Group profit after tax, which amounted to Rs. 40.8 Bn and Rs. 1.7 Bn respectively. The tile business vertical of Royal Ceramics, Lanka Tiles and Lanka Walltiles make up the operations of this sector which produce world class tiles in four manufacturing facilities. Performance of the sector was supported strengthening the customer value proposition and improved margins. Increased finance costs and a decline in dividends combined to temper the achievements of this sector which pursued manufacturing excellence, reaping the rewards of expansions and upgrades in the two preceding years. Lanka Walltiles established a distribution centre in Dallas, becoming the first tile manufacturer in Asia to have its products listed on Amazon, positioning for growth in the North American market.

MANAGING DIRECTOR'S MESSAGE

L B Finance contributed Rs. 1.36 Bn to Group profit after tax, amounting to 49% of the Group total, reflecting marginal growth in profitability. This is commendable in a year marked with significant downward pressure on interest rates and margins, low savings growth and elevated credit risk across the financial services sector. As an equity investee, our share of profit is 26% and this investment remains a key stabilising factor on Group profits.

Revenue growth of 2% in Sanitaryware in a year fraught with business interruptions was an achievement. Exports have been a key area of success for this sector although it recorded a sharply reduced profit of Rs. 10.1Mn during the year due to issues that affected both local as well as export production. This is reflected in the decline of gross margins during the year despite sound control over other costs. This sector is expected to demonstrate profitable growth in the coming year with the issues out of the way.

The Packaging sector also recorded an excellent performance, with a profit growth of 10 times its previous years profit. While sales growth was healthy at 9%, profit growth was driven by increased productivity and process efficiencies which supported significantly improved margins a near doubling of gross profit. Lower finance costs also supported profit after tax growth to Rs. 211Mn in the reporting year compared to Rs. 19.9Mn in the previous year. The paradigm change delivered is particularly commendable given the subdued demand conditions that prevailed during the year.

Swisstek Aluminium had a difficult year as supply exceeded demand in the domestic market resulting in intense price competition and loss of dealer loyalty. Consequently, we focused on exports and successfully managed to break into the quality conscious EU market, becoming the first Sri Lankan steel manufacturer to do so. The Company is focused on expanding its downstream business such as doors, windows, pantry cupboards and modular ladders. It has tied up with Etem, one of the largest providers of aluminium products to develop a high-quality proprietary systems catering to high rise buildings, moving into new products that are not being manufactured by fabricators. The timber flooring business within this segment also performed well, securing the contract for Cinnamon Life which is the largest project in the country. Losses were minimised during the year from Rs. 125Mn in 2018/19 to Rs. 40Mn due to these initiatives and we believe this company is well positioned for growth in the future.

The Plantation sector had an extremely challenging year as tea and rubber prices declined during the year while volumes were also impacted by inclement weather. Wages remain a bone of contention between the Government and the Regional Plantation Companies due to the lack of productivity incentives in the structure. This sector recorded a gross loss and went on to record a loss after tax of Rs. 496Mn reflecting the woes of the sector.

OUTLOOK

The outlook which was extremely uncertain at the beginning of 2020/21 has improved as lockdown measures were eased gradually. The Group's manufacturing facilities have now commenced operations although productivity is below optimal levels due to social distancing and other safety measure implemented at all premises. While there are significant downside risks and a forecast of subdued economic activity and consumer purchasing power, we are geared up to redouble our efforts on export growth as supply chains are being reviewed across many industry sector, providing openings for players with well established credentials and certifications. Our focus on expansion of our offerings in the domestic market is also expected to gain traction across sectors as we increase the value addition component across sectors.

We also expect supply side challenges as the bathware, packaging and aluminium sectors are reliant on imported raw materials which may be impacted by a weaker rupee. Supply demand dynamics in global markets for raw materials are likely to be at low levels due to subdued demand factors.

Given the significant uncertainty in the outlook and the recent expansion in the Tiles sector, we will minimise capital expenditure and consolidate our position in a recalibrated post COVID era.

Acknowledgements

I convey my appreciation of the strategic vision and guidance provided by the Chairman and the Board in a challenging year. The results set out in this report are due to the team efforts of the team at Rocell and its subsidiaries and I commend their efforts and the leadership provided by the dynamic CEOs of the subsidiaries. I thank our business partners for their contribution to our performance and trust they remain part of our ecosystem in the future as well. In conclusion, I thank our shareholders for their confidence in the Group and look forward to welcoming them at the Annual General Meeting.

Aravinda Perera
Managing Director

BOARD OF DIRECTORS

MR. DHAMMIKA PERERA

CHAIRMAN

1 Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations and hydro power generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies.

Mr Perera is the Chairman of Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Uni-Dil Packaging Limited, Delmege Limited, and L B Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of L B Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC and Dhammika & Priscilla Perera Foundation.

MR. ARAVINDA PERERA

MANAGING DIRECTOR

2 Mr Aravinda Perera counts over 36 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012, until his retirement in September 2016.

He is presently the Chairman of Singer Finance Lanka PLC. He is also a director of Pan Asia Banking Corporation PLC, Rocell Bathware Ltd and further to the Directorships, he Chairs the audit committees of Hayleys PLC, Hayleys Aventura Private Ltd, Hayleys Advantis Ltd and Fentons Ltd.

He was the former Chairman of Siyapatha Finance PLC, former Director of Sampath Centre Ltd., Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh.

He passed out from University of Moratuwa in 1980 with an Honours Degree in Mechanical Engineering. He is a Member of the Institute of Engineers (Sri Lanka) (MIESL) and a Chartered Engineer (C.Eng.). He is also a Fellow Member of the Chartered Institute of Management Accountants (UK) (FCMA) and a Fellow of the Institute of Bankers– Sri Lanka (FIB). He also holds an MBA from the Past Graduate Institute of Management.

Mr. Perera was honoured with the "CEO Leadership Achievement Award 2016" by the Asian Banker magazine and was also the recipient of the prestigious "Platinum Honours – 2014" Award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayawardenapura University. He was honoured with the "Award for the Outstanding Contribution to the Banking Industry – 2015" by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

MR. A M WEERASINGHE

DEPUTY CHAIRMAN

3 Founder of Royal Ceramics Lanka PLC in 1990. A gem merchant by profession. Has been in the business field for more than 35 years involved in real estate, construction, transportation and the hospital industry and has been a landed proprietor. In addition to the above, he is also the Chairman of Lanka Ceramic PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Trade Huts (Pvt) Ltd. and Weerasinghe Gems (Pvt) Ltd, the Deputy Chairman of Lanka Tiles PLC and Lanka Walltiles PLC and a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

BOARD OF DIRECTORS

MR. THARANA THORADENIYA

DIRECTOR MARKETING AND BUSINESS DEVELOPMENT

4 Mr. Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He is the Group Director Marketing and Business Development of Royal Ceramics Lanka PLC.

He sits on the Boards of several public quoted and privately held companies, including Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd, Uni-Dil Packaging (Pvt) Ltd, Fentons Ltd and Swisstek Aluminium Ltd, among others. He has been credited as a proven business innovator across industries. A marketer by profession, he was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

MR. R N ASIRWATHAM

DIRECTOR

5 Mr Asirwatham who is a renowned accounting professional, was a Senior Partner and Country Head of KPMG from 2001 to 2008. He was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and also a member of the Presidential Commission on Taxation, appointed by His Excellency the President.

Mr Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka. Chairman of the Financial Systems Stability Committee of the Central Bank of Sri Lanka and the Chairman of the Audit and Governance Committee of the Institute of Chartered Accountants of Sri Lanka. He has made his mark in the corporate world by serving on the Boards of Royal Ceramics Lanka PLC, Dilmah Ceylon Tea Company PLC, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Browns Beach Hotels PLC, Mercantile Merchant Bank, Dankotuwa Porcelain PLC, Colombo City Holdings PLC, Three Acre Farm PLC, Ceylon Grain Elevators PLC, Yaal Hotels Private Limited and Renuka Hotels Private Limited.

MR. HARSHA AMARASEKERA

DIRECTOR

5 Mr. Harsha Amarasekera, President Counsel is a leading light in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Swisstek (Ceylon) PLC (Chairman), Swisstek Aluminium Limited (Chairman), Vallibel One PLC, Expolanka Holdings PLC, Chevron Lubricants Lanka PLC, Ambeon Capital PLC, Amaya Leisure PLC, and Vallibel Power Erathna PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

MR. G A R D PRASANNA

DIRECTOR

7 Mr. Prasanna was appointed to the Royal Ceramics Board on 29 May 2009. He has wide experience in various businesses and also in business management. He is the Chairman of Pan Asia Banking Corporation PLC and also the Managing Director of Wise Property Solutions (Pvt) Ltd. Further, he serves as Director on the Boards of La Forteresse (Pvt) Ltd and Delmege Group of Companies.

MRS. NIRUJA THAMBIAYAH

DIRECTOR

8 Mrs. Thambiayah was appointed to the Royal Ceramics Board on 1st October 2015. She holds a Bachelor of Arts with Honours in Industrial Economics from the University of Nottingham, UK and a Master in International Business from Monash University, Australia. She is currently the Managing Director of Cargo Boat Development Company PLC and a Director at Renuka Hotels PLC, Renuka City Hotels PLC, Renuka Consultants & Services Ltd, Renuka Properties Ltd and Lancaster Holdings Ltd.

MR. L N DE S WIJEYERATNE

DIRECTOR

9 Mr. Wijeyeratne is a Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 35 years of experience in Finance and General Management both in Sri Lanka and overseas.

He is currently an Independent Non -Executive Director of several Listed Companies. He was the Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd, Zambia Consolidated Copper Mines Ltd.

He also served as a Director of DFCC Bank PLC and L B Finance PLC. Mr. Wijeyeratne was a Member of the Corporate Governance and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka as well as the Accounting Standards and Monitoring Board of Sri Lanka.

MR. NIVRAN WEERAKOON

DIRECTOR

10 Mr. Nivran Weerakoon is a Fellow of the Chartered Institute of Management Accountants UK (FCMA) and holds a Master of Business Administration (MBA) from the University of West London UK.

He currently serves on the Board of Directors of Delmege Limited and Media Monkey (Pvt) Ltd., and was a former Board Member of Lanka Electricity Company (Pvt) Ltd., (LECO).

He has previously held many senior management positions including the positions of Executive Director and Chief Executive Officer in a number of private limited companies.

MR. SAMEERA LIYANAGE

DIRECTOR

11 Mr. Liyanage is a respected professional with over eight years experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group.

He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya. He holds a Diploma in Information Technology from University of Colombo.

He currently serves as an Assistant General Manager Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies.

He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo.

Mr. Liyanage is a Member of the Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

ALIGNED & INTEGRATED

STRATEGY

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THE STRATEGIC REPORT

VALUE CREATION

We create value by delivering a range of innovative tiles, accessories and bathware items which cater to the tastes and styles of every consumer using four tile manufacturing facilities supported by a broad presence across the value chain. In addition, the Rocell Group manages a strategic investment portfolio in five varied sectors including plantations, aluminium, packaging and financial services, consumer retail, lifestyle, healthcare, transportation and mining sector to enhance the Group value creation through diversification.

OUR INPUTS

Funds

Rs. 34.5Bn equity.
Rs. 20.8Bn debt
Cashflows (Rs. 1.3Bn)

Our People

9,626 employees.
25 specialised skills.

Manufactured Capital

Rs. 18Bn of PPE

Our Ties

Network of customers, business partners and suppliers.

Our Natural Resources

Mining land
Silica land
Tea and rubber estates

Intellectual Capital

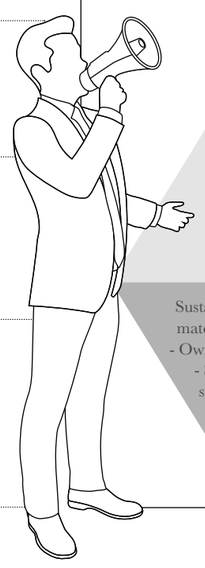
Innovation
Certifications
Brand image
Technology

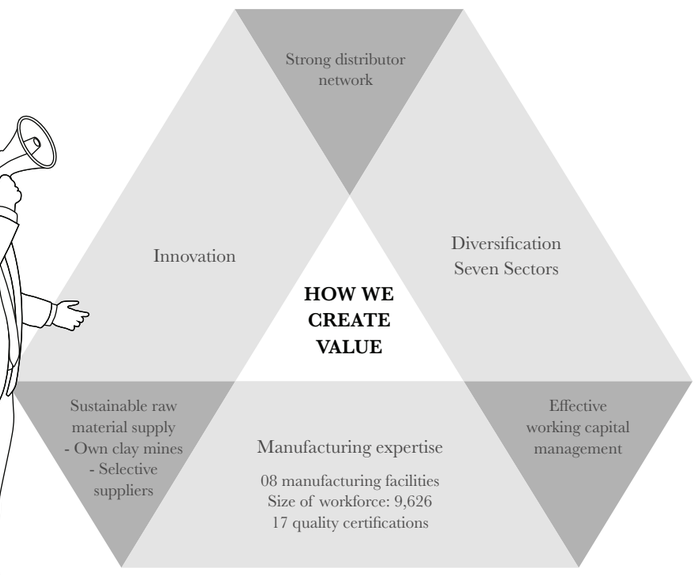
Protect stakeholder rights
Governance
Culture and values

Financial stability
Risk management
Financial management

Fair returns to all stakeholders
A corporate strategy that drives responsible growth

Build trust and confidence
Certifications
Compliance





OUTPUTS

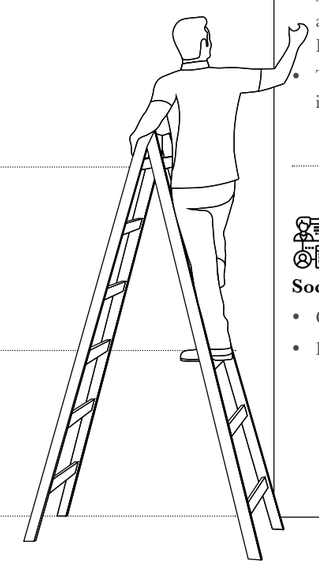
Tiles and Associated Products
12,015,601 SQM of tiles
1,169 MT grouts and 32,263 MT of tile mortar

Sanitaryware
183,342 pieces

Plantations
2,442,000 kg tea and 594,000 kg rubber

Aluminium
3,869 MT

Packaging
25,952 MT



IMPACTS

Environmental

- 196Mn. litres water discharged
- 38,336 MT waste discharge
- 532,007 kwh renewable energy
- Reforestation

Economic

- Drive economic growth by creating value in seven broad economic sectors. Total economic value addition in 19/20 was Rs. 16,878Mn .
- Tax payments both direct and indirect amount of Rs. 4,492Mn.

Social

- Community development projects
- Employment opportunities

VALUE DELIVERED

Shareholders

- Rs. 23.34 – Earnings per share
- Ensure financial stability

Employees

- Rs. 5,287Mn - Salaries and benefit payments.
- Rs. 6Mn training spend
- Healthy and safe workplace

Customers

- Delivery of high-quality products and services in seven industries.
- Revenue from external sales amounted to Rs. 31,554Mn
- Innovation

Suppliers

- Rs. 17,525Mn - Payments to local suppliers
- Rs. 8,474Mn- Payments to international suppliers.

Communities

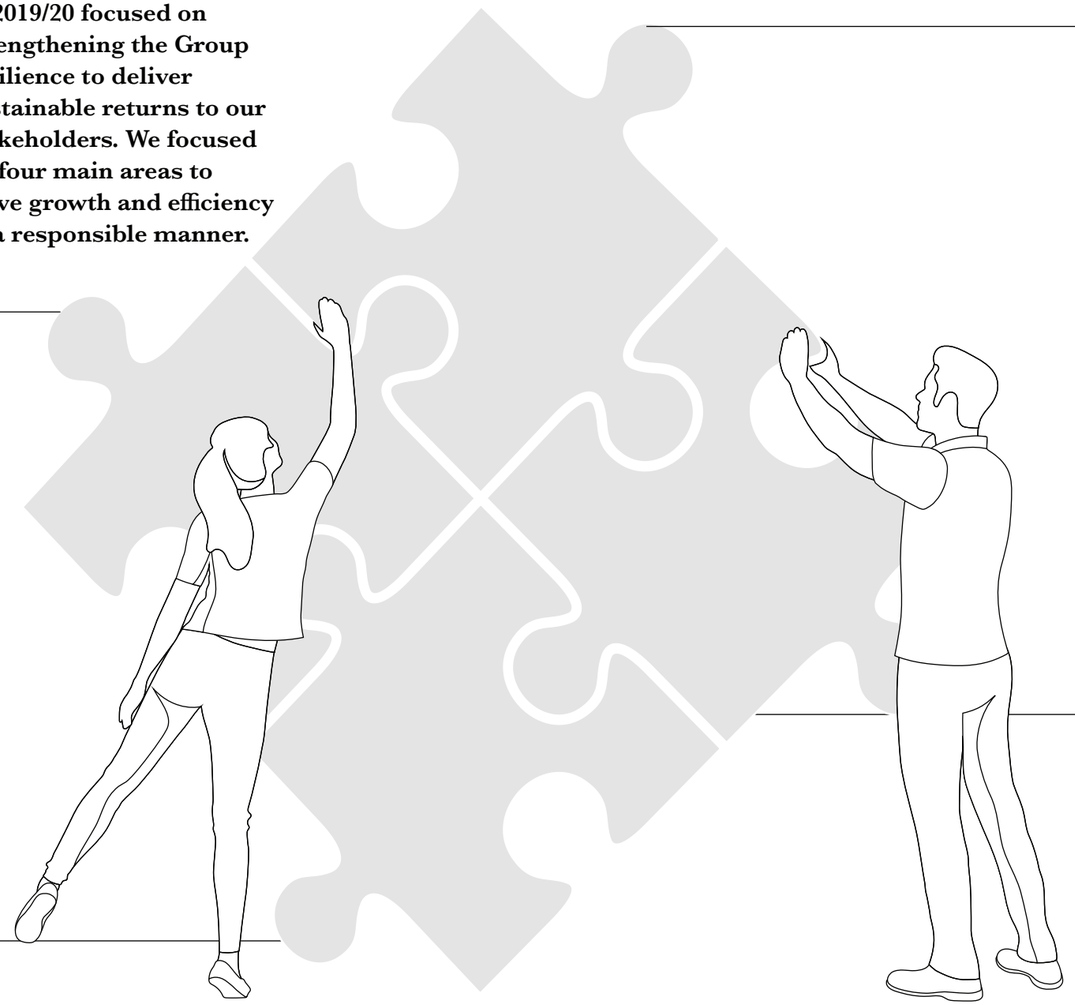
- Training to tile layers
- CSR spend of Rs. 6Mn

Government

- Direct Tax Rs. 1,147Mn
- Indirect Tax Rs. 3,345Mn

STRATEGY

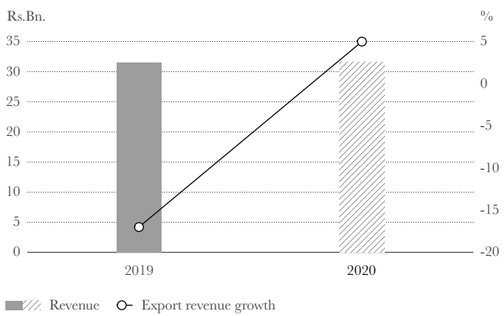
Our corporate strategy in 2019/20 focused on strengthening the Group resilience to deliver sustainable returns to our stakeholders. We focused on four main areas to drive growth and efficiency in a responsible manner.



GROWING REVENUE

Strategy

- Increase exports
- Focus on branding and improving customer communication
- Innovate new designs
- Direct sales to large scale projects
- Contract manufacturing



DRIVE EARNINGS

Being operationally excellent in what we do

- Improve cost efficiency through process improvements
- A productive team
- Optimise group synergies
- Investments on latest technology to enhance manufacturing expertise

KPIs	2019/20	2018/19
Cost savings (Rs.Mn)	**419**	480
Cost to Income ratio (%)	**95.6**	94.4
Gross Margins (%)	**33.22**	32.69
Operating margins (%)	**18.45**	18.91
ROE (%)	**8.00**	9.60

FINANCIAL STABILITY

Strategy

- Optimise cash through working capital management
- Manage financial leverage

KPIs	2019/20	2018/19
Total Funds (Rs.Mn) (Equity + Debt)	**55,376**	51,124
Gearing ratio (%)	**37.6%**	36.9%

SUSTAINABLE CONSCIENCE

Strategy

- Support community development through CSR projects and employment opportunities
- Establish a connecting point for local tilers from various regions
- Support local suppliers by purchasing their products
- Strict environmental compliance
- Monitor and minimise consumption of non-renewable natural resources.

KPIs	2019/20	2018/19
CSR Investment (Rs.Mn)	**6**	42
Consumption of materials (MT)	**362,954**	341,773
Consumption of non-renewable energy (Mn.Kwh)	**70**	66
Renewable energy sources used (Mn.Kg)	**10**	12

STAKEHOLDER ENGAGEMENT

GRI - 102-40 | 102-41 | 102-42
102-43 | 102-44

Managing stakeholder relationships and rebuilding their trust and confidence is key particularly during tough economic and business environments. We use various channels to engage with key stakeholders and gather their feedback and understand concerns to focus on activities that nurture trust and long-term relationships which are essential to achieve our corporate strategy.

VALUE ADDED STATEMENT

During the year, the total value added by the Group amounted to Rs. 16,878Mn. The key sectors to contribute to value addition were the Tiles and Associated Products, and Packaging sectors followed by Sanitaryware and Aluminium sectors.

Total Value added by the Group – Rs. 16,878Mn

Rs. 34,588Mn	Rs. 19,920Mn	Rs. 193Mn	Rs. 2,017Mn
Gross revenue	Purchase costs	Other operating income and finance income	Share of profits from associate company

Value distributed	2019/20	2018/19
Government	**4,791Mn**	5,965Mn
Employees	**5,287Mn**	4,871Mn
Lenders	**2,286Mn**	1,907Mn
Shareholders	**443Mn**	345Mn
Retained for future use	**4,071Mn**	4,441Mn

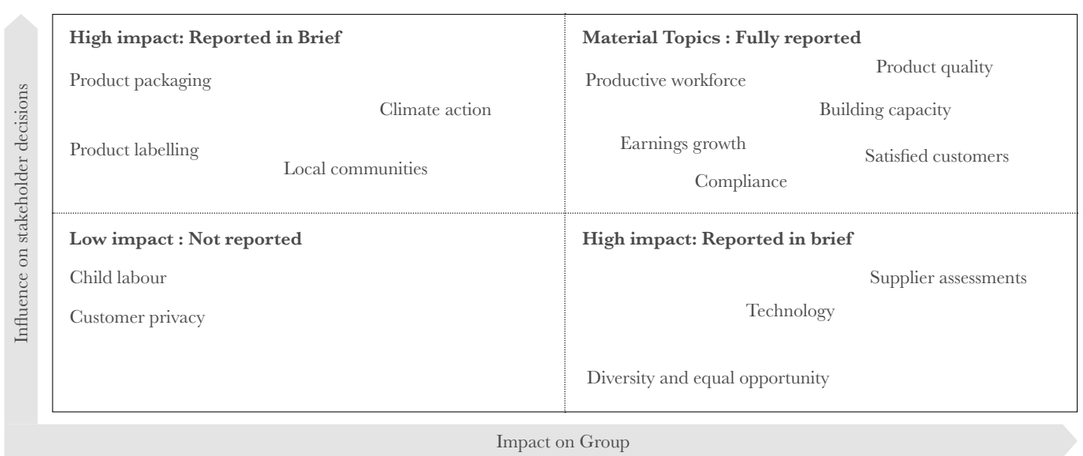
MANAGING OUR STAKEHOLDER RELATIONSHIPS

KEY STAKEHOLDERS	Key stakeholder concerns raised during the year and how we managed concerns.	HOW WE CONNECT	TOPICS DISCUSSED
Buyers Consumers Influencers Architects Fabricators Tilers	**Earnings Growth** Responses to uncontrollable factors particularly the outbreak of the COVID-19 pandemic. **Financial stability** Strategy to manage financial leverage and working capital requirements. **Innovation** Setting new design trends in the industry through the launch of new designs and textures.	• Showrooms • Trade fairs • Exhibitions • Direct visits • Dedicated call centres • Social media • Events such as the Colombo Design concave	• Product Quality • Availability • Pricing • Innovation • Customisation • Digital presence • Marketing
Business partners Distributors Dealers Sub dealers Franchises Suppliers	**Support for growth** Initiatives to support development of local communities and business partners.	• Commissions • Rewards and benefits • Logistics • Support for growth	• Routine assessments • Annual distributor conference
Capital providers Investors Debtors	**Building trust and confidence** Engaging actively with all stakeholders, and ensuring ethical and responsible manufacturing practices.	• Quarterly and annual release of financial reports • Annual general meetings • Press releases	• Returns • Share price • Performance • Financial stability • Growth prospects • Risk management
Employees	**Product Availability** Leveraging on our broad presence in the value chain to ensure products are available to consumers.	• Remuneration and benefit schemes • Employee development • Fair and ethical work practices • Health and safety	• Performance appraisals • Social welfare events
Regulator		• Periodic fillings • Visits	• Compliance • Tax fillings
Communities		• Community projects • Employment opportunities	• CSR initiatives • Community grievance

MATERIALITY

GRI - 102-47

We perform an annual materiality assessment to identify matters most material for the sustainability of our business model. These matters are carefully managed and monitored through key performance indicators to help us ensure our resilience as these factors could materially impact our financial results, reputation or financial stability. Findings from our stakeholder engagement process , market reviews and periodic internal assessments, help us identify the areas that require special attention which may vary from year to year. During the year, two new topics were considered material in addition to the six topics of last year. These were considered material due to occurrence of high-risk events during the last year such as the outbreak of the COVID-19 pandemic and Easter Sunday attacks in April 2019.



Low impact	High impact	Material factors
Child labour	Product availability	Sustainable earnings growth
Customer privacy	Capital investments	Diversification
Product packaging and labelling	Brand image	Operational efficiency
	Health and safety	Innovation and customer satisfaction
	Supplier assessment	Financial stability
	Climate action	Health and safety
	Community development	Disaster recovery
	Supply chain management	Technology
	Product quality	Compliance
	Cyber security	

PRINCIPAL RISKS

With our interests spanning across seven diverse sectors, the Group is exposed to numerous risks, and carefully balancing growth plans with our risk appetite is important to operate a sustainable business model.

RISK ENVIRONMENT

During both 2019 and 1st quarter of 2020, both global and domestic markets had a challenging year with the incidence of severe risks such as the outbreak of the pandemic COVID-19. Our focus during the year was to navigate through these challenges by focusing on several areas within our control such as operational efficiencies, digitisation, enhancing excellence and diversification to rebuild the confidence of our stakeholders primarily consumers and investors.

OUR APPROACH

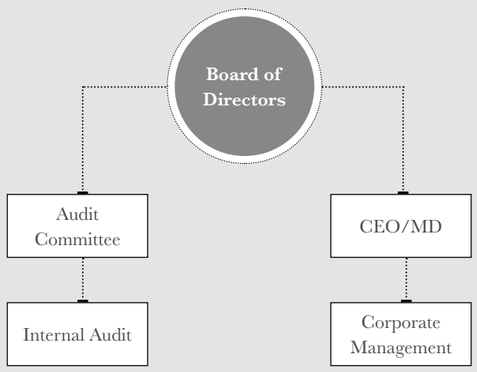
The Board of Directors set the risk appetite of the Group and provided timely guidance to the risk management team in implementing sound risk policies and internal controls. Findings from the risk- based audits and annual assessments were used by the Board to fine tune policies and internal controls. The corporate management team connected with various business units to review key performance indicators and monitor the risk landscape of the Group. Any emerging risks was communicated to the Managing Director depending on the severity of impact on the Group performance.

Our key activities in 2019/20 include:

- Realigned the risk landscape of the Group to reflect the challenges during the year. Risks such as lack of technological developments, emergence of severe risks such as infectious diseases and energy price shocks were added to the risk landscape.

In addition, we continued to manage risks through a structured process of setting risk appetite, implementing mitigative measures and monitoring risk indicators enabling the Group to build a sustainable platform for value creation. In addition, risk awareness programs were performed to maintain a risk conscious culture within the organisation.

RISK GOVERNANCE



The Board holds the apex responsibility to ensure effective risk management of the Group and controls processes at both SBU and Group level.

Risk strategies are designed and it effectiveness monitored through key performance indicators to ensure the SBUs are within the risk parameters of the Group.

RISK OVERVIEW

Our top risks and action plans to prevent or limit the impact of these risks are discussed below.

Key risks	Indicator	How we mitigate
Demand	• Economic growth • Growth was 2.6% in 2019 compared to 3.2% in 2018. • Performance of the construction sector. • Growth of 4% compared to contraction last year. • Investor and business sentiment. • Political and policy uncertainties. • Changes in the global economic and business landscape.	Enhance the resilience of the Group through diversification, cost management and specialisation. • Maintained a diverse revenue mix with wide ranging products sold to both local and export markets. • Drive demand through innovation and increasing customised orders. • Strategic investments in seven differing industries including plantations, packaging and aluminium. • Implemented TPM initiatives to enhance operational efficiencies at factories.
Financial risks • **Exchange rate risk** • **Interest rate risk** • **Commodity price risks**	Movements in exchange rate **Depreciation against the USD** / **Year on Year** 2018: 6.6% 2019: 9.9% March 2020: 3.7%	• Maintain a diverse supplier network. • Increase raw material sourcing from own mining lands. • Managing volatilities in import costs by setting up manufacturing bases in low cost regions such as China and India.
	Movements in interest rates • Policy rates reduced by the Central Bank to mitigate the impact of COVID-19. **Interest rates** / **AWPLR (%)** 2018: 11.94 2019: 10.00 March 2020: 9.29	• Monitor the financial leverage of the Group. • Ensure availability of unused credit lines. • Optimise cash resources through effective working capital management. • Loan covenants are periodically monitored and reported to the Board of Directors. • Policy rates reduced by the Central Bank to mitigate the impact of COVID-19.
	Movements in tea and rubber prices **Tea prices** / **Year on Year** 2018: (6.2)% 2019: (9)% March 2020: 3.08%	• Closely monitor movements in global tea and rubber prices.

PRINCIPAL RISKS

Key risks	Indicator	How we mitigate
	Movements in global oil prices. **Oil prices** / **USD/Barrel** 2018: 69.58 2019: 64.05 March 2020: 35.66	
Changing consumer tastes and trends	• Obsolete products • Movements in inventories • Customer satisfaction index	• Create innovative and differentiated tile designs. • Invest on latest print technology to create specialised products. • Evaluate consumer feedback. • Connect with a wide range of marker influencers such as architects, tilers and fabricators.
Reputation risk	Compliance to applicable laws, regulations, standards and certifications.	• Monitor compliance. • Ensure factories operate within the limits imposed by the CA regulatory. • Strict environmental compliance. • Ensure raw materials such as clay are sourced sustainably.
Supply chain	Supply shortages	• Nurture long term supplier relationships. • Maintain a diverse supplier network.
People risks	Labour turnover rate • High turnover rate in plantation sector of 21%. Productivity **Output per employee** / **2019/20** / **2018/19** Tiles: **4,214 SQM** / 4,322 SQM Sanitaryware: **452 PCS** / 623 PCS Packaging: **47 MT** / 52 MT Plantations: **561 MT** / 616 MT Aluminium: **17 MT** / 12 MT Trade union actions • No incidents of trade union action.	• Maintain good relations with trade unions in the plantation sector. • Ensure a competitive compensation package. • Ensure health and safety of employees.
Plant efficiency	Disruption to manufacturing process due to machinery shutdown and repairs.	• Routine maintenance checks on machinery. • Implement total productive maintenance (TPM) initiatives to reduce machine downtime.

Key risks	Indicator	How we mitigate
Climate change	Crop losses	• Perform forest health inspections. • Ensure strict environmental compliance. • Partner with universities to perform research on improving waste management. • Focus on energy and emissions management.
Technology	• Customer satisfaction • Productivity • Operational efficiencies	• Invest on digitisation. • Increased automation of processes in tile factories. • Invest on new plant and machinery.
Cyber security	• Incidents of cyber attacks • Data fraud or theft	• Up to date IT systems. • Compliance to ISO standards.

STRONG & RELIABLE

STEWARDSHIP & ACCOUNTABILITY

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OPERATING ENVIRONMENT

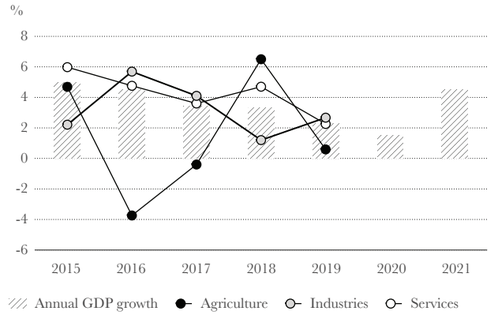
The operating environment was extremely challenging, marked by severe business interruptions in April 2019 due to the Easter Sunday terror attacks and a nationwide lockdown in March 2020 due to the COVID-19 pandemic.

GENERAL ECONOMIC LANDSCAPE

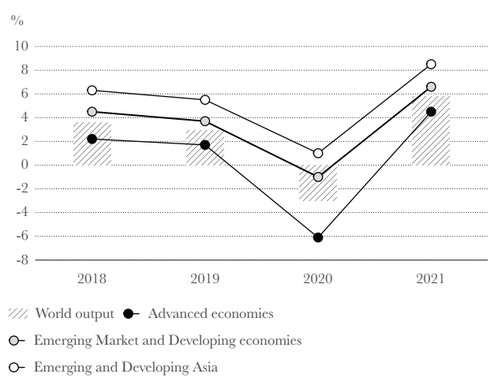
The operating environment was extremely challenging, marked by severe business interruptions in April 2019 due to the Easter Sunday terror attacks and a nationwide lockdown in March 2020 due to the COVID-19 pandemic. Predictably, economic growth declined to 2.3% in 2019 from 3.3% last year as climate change aggravated the impacts. The Central Bank maintained an accommodative monetary policy to support credit expansion while also implementing measures to foster export growth as the external sector performance of the economy was affected by the setback in tourism activity post Easter Sunday attacks. With these measures, the industrial sector performed better than last year with an annual growth rate of 2.67% compared to 1.2% last year supported by the rebound in construction and mining activities. Manufacturing and production indices showed signs of gradual recovery from May 2019. However, the COVID-19 outbreak affected economic performance from late 2019/20. The Central Bank of Sri Lanka expects an economic slowdown in 2020 although the exact impact would depend on the extent of the global spread of the pandemic.

Performance in the global markets too was severely affected. Global growth as per the World Bank significantly dropped to 2.9% in 2019 (3.6% in 2018) with estimates of de-growth in 2020 and 2021. Advanced economies grew by 1.7% (2.2% in 2018) and emerging markets and developing economies grew at 3.7% (4.5% in 2018). World trade volumes grew at a slow 0.9% compared to 3.7% last year as trade activity was also impacted by trade wars and geopolitical tensions in several key economies such as US, China and the Middle East.

Sri Lanka Economic Growth



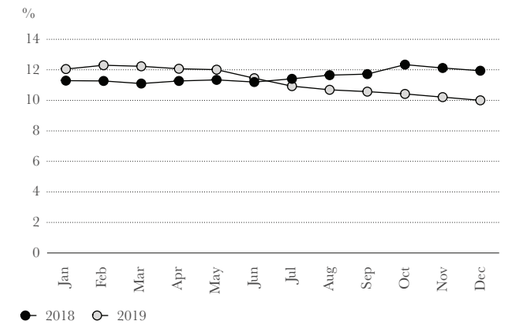
Source : CBSL Annual Report 2019



Source: World Bank_April 2020

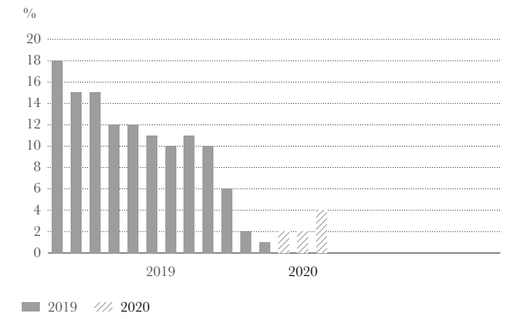
MOVEMENTS IN KEY ECONOMIC INDICATORS IN THE DOMESTIC MARKET

Interest Rates (AWPLR)



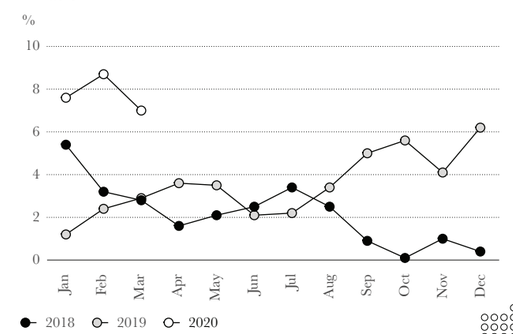
Average weighted prime lending rate declined to 10% in 2019 from 11.94% in year 2018 and further declined to 9.29% in March 2020.

Movements in Exchange Rate



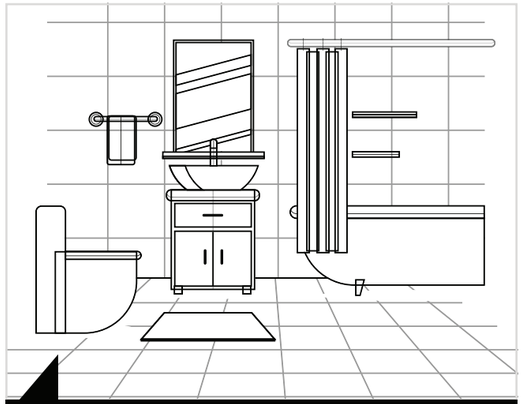
After a period of sharp movements in 2018, the exchange showed stability during 2019 until the outbreak of COVID -19 in March 2020.

Inflation



OPERATING ENVIRONMENT

TILES AND SANITARYWARE SECTOR



Demand for tiles is driven by growth of the construction sector and is heavily influenced by lifestyles and trends. Global construction forecast to accelerate from 2.16% in 2019 to 3.1% in 2020 in January 2020 has now been revised to 0.5% due to the COVID-19 pandemic.

DEMAND DRIVERS

Demand for tiles is driven by growth of the construction sector and is heavily influenced by lifestyles and trends. Global construction forecast to accelerate from 2.16% in 2019 to 3.1% in 2020 in January 2020 has now been revised to 0.5% due to the COVID-19 pandemic. However, stimulus measured for economic recovery are also likely to address growth of the construction industry, boosting growth in 2021.

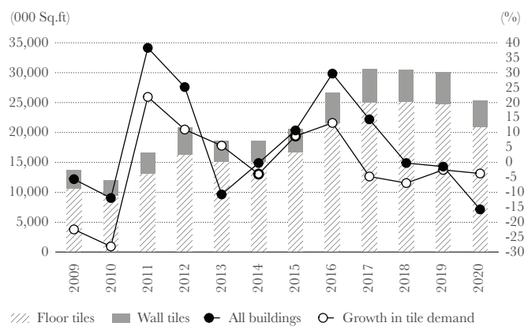
Domestic construction activity rebounded during the year by growing by 4% compared to a contraction of 2.5% last year with the completion of large- scale construction projects such as expressways and condominium development projects. The Government continued with numerous urban development and housing projects during the year to meet the housing requirements and living standards of people. This increased demand for housing in urban and surrounding areas.

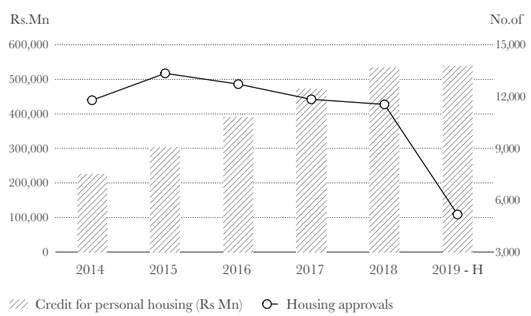
Although construction activity picked up during 2019, subdued economic performance and lower investor confidence led to a decline in housing approvals during the first half of the year at (3.7%) compared to corresponding period last year. Credit granted by commercial banks for personal housing activities grew at a slower pace of 5.4% in December 2019 compared to 13.1% in December 2018. Within this operating environment, demand for tiles in Sri Lanka in 2019 declined of 15.7% to 25.3 SQM.Mn of which floor tiles formed 78% of demand while the remaining was attributable to wall tiles.

SUPPLY OF TILES

Tile supply was met through both local manufacturing and imports forming 43% and 57% of total supply. Competition continues to be intense as cheaper tiles were imported from several regions including China. However, tiles imports during 2019 had a setback due to the exchange rate depreciation and financial difficulties faced by importers which was an advantage to local manufacturers.

Tile Demand





Source : CBSL Annul Reports and Monthly Bulletin

PLANTATION SECTOR

Sri Lanka is known for her fertile land and traditional crops such as tea, rubber and coconut have their own unique history on how they developed into thriving industries with global recognition. The industry plays a major role in the Sri Lankan economy as it's responsible for a considerable portion of our export income. Sri Lanka continues to maintain its position as the world's highest tea export revenue earner despite losing the highest exporter position to Kenya few years back.

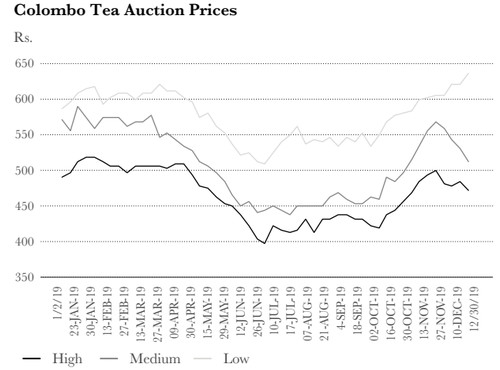
The Sri Lankan tea industry witnessed another difficult year as global tea prices witnessed a downward trend for the latter part of the year. Depressed price levels continued till August 2019 and saw a reversal thereafter, but High and Medium Grown prices still continued to be lower than 2018 levels. Further, tea exports to Japan and the European Union continued to suffer from the repercussions of banning of glyphosate as exports were constrained by the Minimum Residue Levels. US sanctions on Iran and conflicts within the Middle East also affected the tea exports negatively.

The production of tea was on par with the previous year. Total tea produced was 300.1Mn.kg this year, reporting only a marginal decline compared to previous year's production of 303Mn.kg. Despite the decrease in production the volume of tea exported in 2019 increased to 293 Mn.kgs from the previous year's 282 Mn.kgs. Consequently the revenue realised during the year from tea exports was Rs. 240.6Bn compared to Rs. 231.7Bn of the previous year.

Sri Lankan natural rubber industry continued to struggle as production fell by 9.5% to 82.6Mn.kg. Thus export revenue from natural rubber contracted by 15% to reach Rs. 4.3Bn.

Escalating labour costs and low mechanisation has resulted in a drop in productivity in most agricultural crops. This also effects the competitiveness of Ceylon tea and rubber which has a higher production cost compared to most other countries.

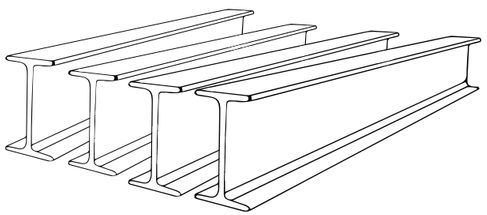
Colombo Tea Auction Prices



Natural Rubber Production and Exports

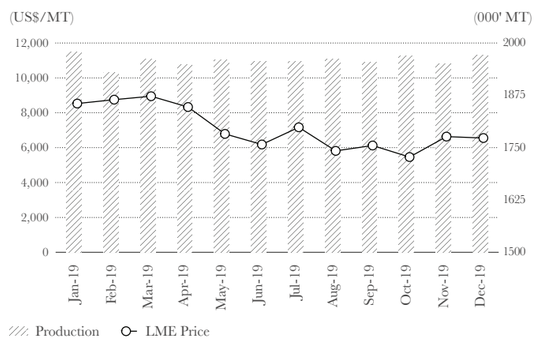
OPERATING ENVIRONMENT

ALUMINIUM



Closely linked to the construction industry, the aluminium industry is navigating through a difficult time. However, the industry has shown resilience despite the challenges by expanding their product portfolios and markets while continuing to achieve efficiencies through innovation and adaptation of new technology.

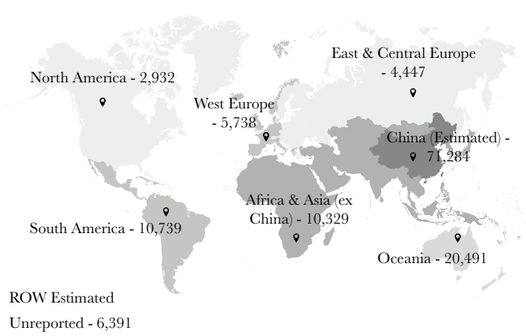
Global Aluminium Production and Price



The aluminium extrusion industry in Sri Lanka has a total capacity of over 3,000 MT catering to a local demand of just 1,500 MT. This over supply has created intense competition within the industry thus making it difficult to build brand loyalty among dealers and end consumers.

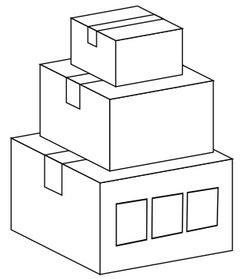
Sri Lanka has over 1,500 aluminium fabricators serving industrial, residential and commercial markets. Slowdown of the local construction industry has a direct negative impact on the demand of aluminium products as majority of the fabrications are construction related.

Global aluminium production contracted by 1% for the first time since 2019, as production from China, the world's largest aluminium producer fell by 1.9%. This was mostly due to large scale smelter outages. Despite the drop in supply the aluminium prices trended mostly lower during the year as demand also weakened amid US-China trade tensions.



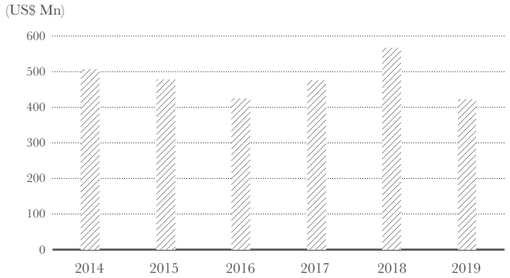
Total for Jan 2019 to Dec 2019 : 132,351 thousand metric tonnes of alumina (total)

PACKAGING



Packaging is a value driver within the supply chain. Over the years this has become a critical part of product branding, safety and hygiene.
Surge in e-commerce has created new opportunities for the packaging industry and manufacturers are seen moving towards sustainable packaging.

Value of Paper Imported



The local packaging industry is largely reliant on the FMCG and export industries such as tea, rubber and garments. Volume exported in both tea and rubber contracted during 2019 while garment exports witnessed a marginal growth.

Despite having over 30 operators in market, the packaging Industry is highly competitive, as 70% of the market share is controlled by just seven players. Price of paper, which was trading at higher levels during the previous two year reversed its course during 2019. However, prices picked up again towards the later part of the year.

BUSINESS LINE REVIEWS

The value created and distributed by our various business lines

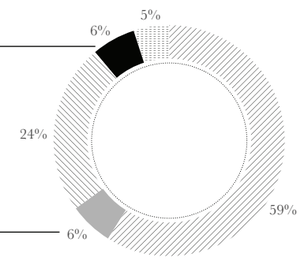
Customers

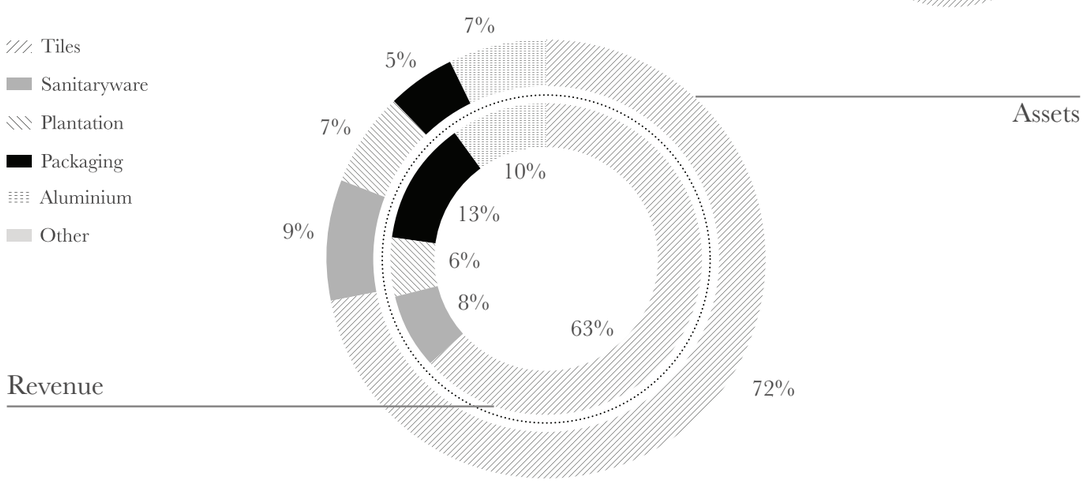
10,831,550 sqm of tiles	2,641,000 kg of tea
25,948 MT of packing materials	172,058 sanitaryware pieces

Employees

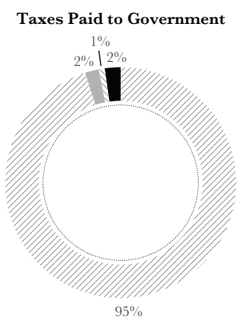
Salaries and benefits paid

5,287
Rs.Mn

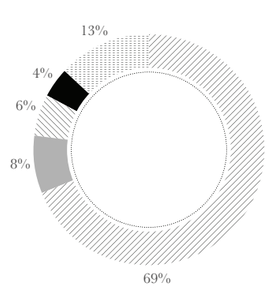




Taxes Paid to Government



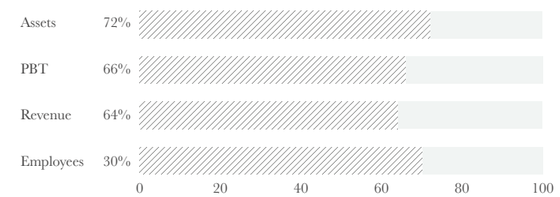
Interest Payment to Lenders



TILES AND ASSOCIATED PRODUCTS

The tiles and associated products sector is the largest contributor to Group performance with over 60% of Group revenue and profit after tax. Two flagship brands of the Group namely 'ROCELL' and 'LANKATILES', cater to both local and export consumers through various channels including distributors, dealers, showrooms and market influencers such as tilers and architects. Holding a 43% market share in the floor tile category and 25% market share in the wall tile category, our products are differentiated though its artistic appeal and high-quality standards. Our broad base presence in the value chain, unique recipes and continuous investment on modern state-of-art-technology drives our manufacturing excellence which won the prestigious 'Triple Win' at the CNCI Achievers Award 2019 for the 2nd time.

Sector Relevance to Group



SECTOR PERFORMANCE

Financial Capital

	2019/20	2018/19
Revenue (Rs.Mn)	**20,461**	20,641
PAT (Rs.Mn)	**1,686**	1,744
GP margin (%)	**42.3%**	39.8%
Total Assets (Rs.Mn)	**40,784**	40,700
Total Liabilities (Rs.Mn)	**23,179**	24,887
ROA (%)	**4.1**	4.2

Manufacturing Capital

	2019/20	2018/19
PPE (NBV) (Rs.Bn)	**13,709**	13,939
Capex (Rs.Mn)	**1,199**	3,594
Depreciation (Rs.Mn)	**1,324**	1,197
Capacity ('000SQM/per annum)	**14,965**	14,965
Capacity Utilisation (%)	**96**	95
Locations	**04**	04

Human Capital

	2019/20	2018/19
Employees	**2,934**	2,840
Remuneration	**3,090**	2,811
Employee Productivity (SQM/employee)	**4,214**	4,322
No. of new recruits	**640**	785
Investment in Training (Rs.Mn)	**6**	12

Natural Capital

	2019/20	2018/19
Materials (MT)	**276,925**	253,293
Energy (Mn.KwH)	**57.6**	51
Water (Mn.litres)	**175.5**	176
Waste water (Mn.litres)	**106**	97
Waste (MT)	**28,845**	19,218

Social & Relationship Capital

	2019/20	2018/19
Distributors	**81**	77
Dealers	**111**	77
Franchisees	**49**	45
Tiler Club Members	**4,725**	4,543
Suppliers	**2,043**	2,047

Intellectual Capital

Certifications	
ISO 14001	04
ISO 9001	04
CE certification	04
Green label certification	04
ISO 18001	02
SLS 1181	02

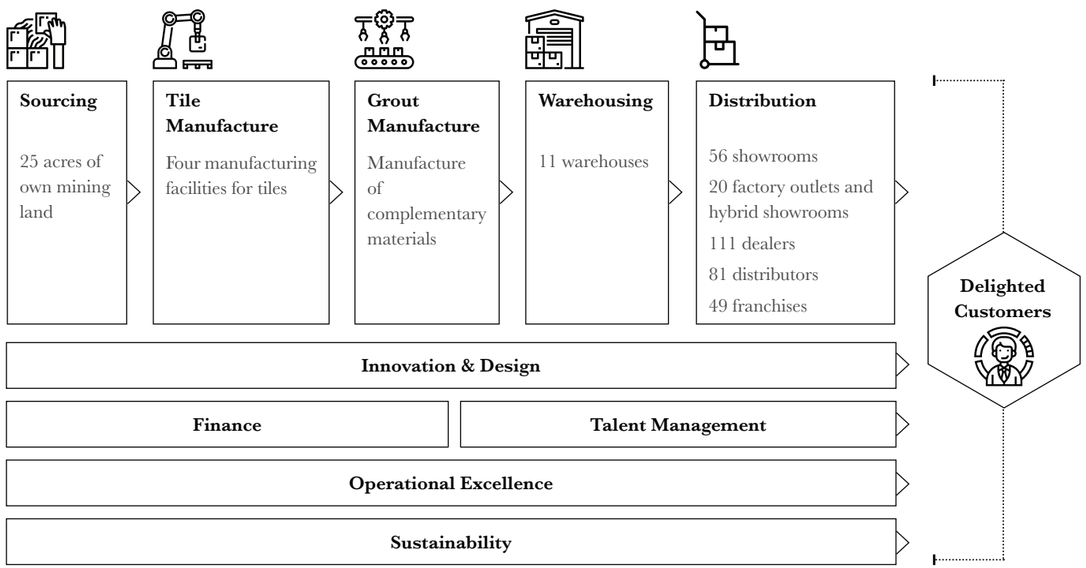
Nurturing capitals

- Increased export sales by entering new markets and value-added products.
- Drove local sales through innovation, customer engagement and enhancing customer access points.
- Implemented TPM initiatives to minimise wastage and improve process efficiencies at factories.
- Training spend of Rs. 6Mn.
- Hosted events to foster engagement between market influencers.
- Complied with six certifications.
- Invested on waste heat recovery systems.

BUSINESS LINE REVIEWS

TILES AND ASSOCIATED PRODUCTS

OUR PRESENCE IN THE VALUE CHAIN

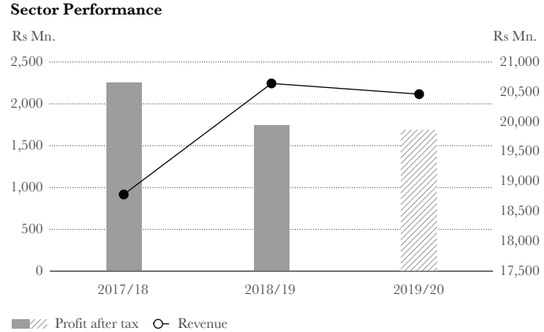


PERFORMANCE

During the year, sector revenue remained broadly in line with last year at Rs. 20,461Mn, due to the impacts of the COVID-19 pandemic, Easter Sunday attacks and political uncertainty. As a result, revenue from local markets marginally declined by 0.8% to Rs. 19,636Mn compared to last year. Export sales declined by 3% to Rs. 825Mn with increasing demand for value added tiles such as RIMs in key regions such as North America. Given the tough operating landscape, we focused on all Four Ps of marketing to effectively manage the sluggish demand conditions.

- Product: During the year, we introduced variants in tiles including the 'Monaporaso' range of wall tiles which was the first specialised wall tile to be introduced by the Group, two new types of Mosaic tiles in glass and ceramics, and larger size (60cm by 120cm) polished floor tiles. In addition, we diversified our product mix by offering customised kitchen solutions to consumers since August 2019.
- Price: Supplied low cost tiles from India through OEM manufacturing and opened two more hybrid showrooms to reach price sensitive consumers.

Sector Performance

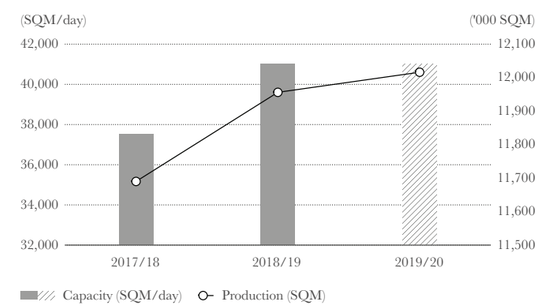


- Promotions: Discounts and promotions offered during the year. In addition, dedicated designers supported consumers to design their bathrooms.
- Place: Providing consumers the most convenient access point is important to drive demand. We maintained an extensive range of showrooms including five concept stores and seven second grade showrooms, five hybrid showrooms and an island-wide network of dealers and distributors.

In addition, Rocell initiated events such as the Design Concave in 2019 to bring architects, designers and contractors together through design talks and regional meetings, strengthening our connectivity with these key influencers.

Sector gross profits improved by 5.3% to Rs. 8,656Mn and margins expanded to 42.3% in 2019/20 from 39.84% last year with an improvement in the operational efficiency. During the year, we implemented several total productive maintenance (TPM) initiatives at factories to increase productivity, minimise wastage and improve machine throughput. Total cost savings through these initiatives amounted to Rs. 396Mn. In addition, the decision in November 2019 to amalgamate Royal Porcelain (Private limited) with Royal Ceramics Lanka (PLC); the porcelain and ceramic factories located at Horana also helped in overall cost reduction. However, the sector profit after tax dropped by 1.65% to Rs. 1,685Mn due to the increase in finance costs and declining other income.

Assets of the segment remained in line with last year at Rs. 40,784Mn and capital investments amounted to Rs. 1,199Mn. Sector liabilities remained in line with last year at Rs. 23,178Mn.



RISKS AND OPPORTUNITIES

Opportunities

- Declining imports of tiles supports local tile manufacturers
- Export demand growth
- E-commerce

Risks

- Low demand due to COVID-19 pandemic
- Weak economic performance globally and in the domestic market
- Currency depreciation

OUTLOOK

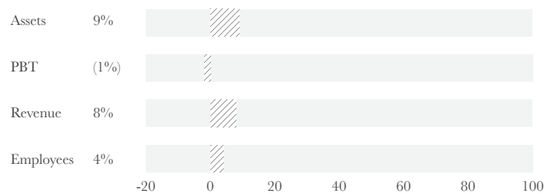
Despite the tough business environment, the sector continued to lead the industry as a trend setter by maintaining an evolving product range. Going forward, we will continue our focus on innovation and manufacturing excellence to deliver high quality, specialised products to consumers both in local and export markets. Export sales will be driven through value added products and entry into new export markets. Within the local market, volume growth will be driven through innovative tile designs, promoting our digital channels and closely collaborating with both consumers and various market influencer such as tilers, architects and contractors. Delivering profitable growth also depends on the operational efficiency of the sector. Rocell would continue to maintain premier manufacturing facilities through continuous investments in new technology while driving operational efficiency through TPM initiatives. Processes at factories will continue to be evaluated in line with the TPM model to identify areas which need improvement.

BUSINESS LINE REVIEWS

SANITARYWARE

Rocell Bathware Limited is a manufacturer of high quality designer bathware products for clients in the domestic market and five export regions. Delivering high quality products is a key imperative and we focus extensively on research and development, quality management and invest in state-of-the-art-technology to ensure our bathware products conform to highest international standards on consumer health, safety and environmental benchmarks. Renowned for state of state-of-the-art-equipment and design technology, Rocell Bathware is also the only manufacturing facility in the South Asian region equipped with specialised design features such as robotic glazing facilities.

Sector Relevance to Group



SECTOR PERFORMANCE

Financial Capital

	2019/20	2018/19
Revenue (Rs.Mn)	**2,511**	2,467
PAT (Rs.Mn)	**10**	121
GP margin (%)	**30%**	38%
Total Assets (Rs.Mn)	**5,153**	5,518
Total Liabilities (Rs.Mn)	**1,764**	2,133
ROA (%)	**0.2**	2.2

Manufacturing Capital

	2019/20	2018/19
PPE (NBV) (Rs.Bn)	**1,841**	1,947
Capex (Rs.Mn)	**28.5**	67
Depreciation (Rs.Mn)	**134**	134
Capacity (PCS/per annum)	**326,000**	326,000
Capacity Utilisation (%)	**80**	75
Locations	**01**	01

Human Capital

	2019/20	2018/19
Employees	**405**	362
Remuneration	**317**	277
Employee Productivity (PCS/employee)	**452**	623
No. of new recruits	**123**	60

Natural Capital

	2019/20	2018/19
Materials (MT)	**2,856**	3,586
Energy (Mn.KwH)	**3.6**	3.5
Water (Mn.litres)	**43.8**	36.4
Waste (MT)	**2,175**	2,292

Social & Relationship Capital

	2019/20	2018/19
Distributors	**30**	33
Dealers	**43**	26
Franchisees	**3**	3
Tiler Club Members	**840**	865
Suppliers	**272**	284

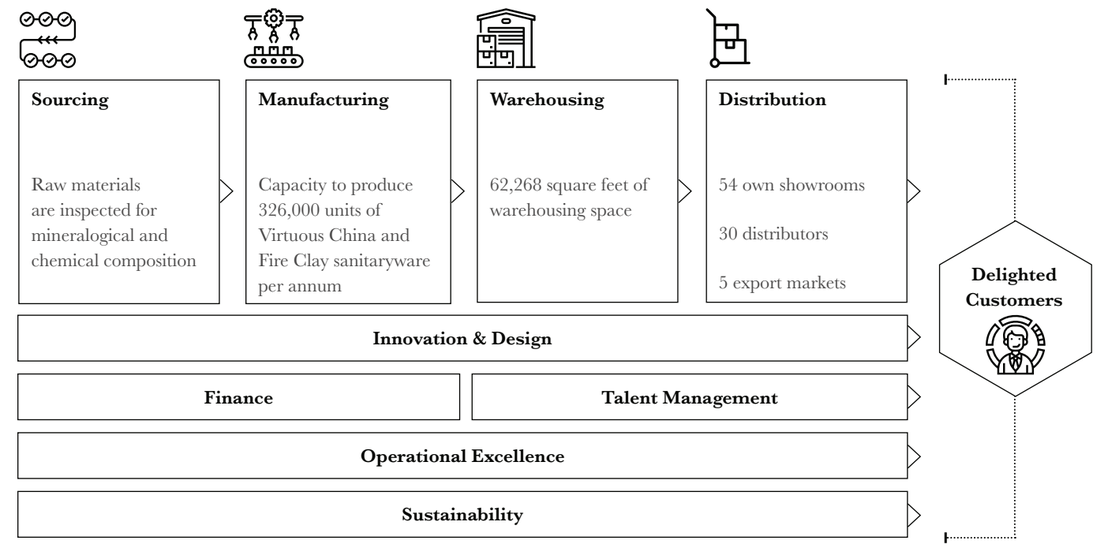
Intellectual Capital

Certifications
ISO 14001
ISO 9001
CE certification
Green label certification
4 - star rating in water efficiency labelling scheme.

Nurturing capitals

- Increased export revenue by manufacturing customised orders for global brands.
- Implemented TPM initiatives at the factory.
- Complied with five certifications covering consumer safety, health and environmental ideals
- Ensured strict environmental compliance.

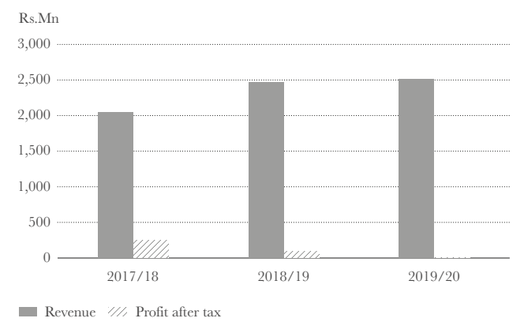
OUR PRESENCE IN THE VALUE CHAIN



PERFORMANCE

During the year, revenue increased marginally by 2% compared to last year despite the subdued economic conditions, in both the local and export markets which impacted consumer demand. We focused on delivering customised orders of sanitaryware to two global brands. In addition, we complied with world class certifications necessary to gain access to quality conscious markets. Sale of bathware accessories increased significantly by 11% compared to previous year with profit after tax of Rs. 25Mn compared to loss of Rs. 9Mn last year.

Sector Performance



Operating profits reduced to Rs. 160Mn compared to Rs. 302Mn last year largely due to higher costs of production stemming from continued exchange rate depreciation, and increasing distribution and borrowing costs. Our TPM initiatives are expected to enhance cost efficiency in the coming year as gains made during the financial year bear fruit. Total profit after tax amounted to Rs.10Mn compared to Rs. 121Mn last year with the largest drop in profitability seen in the last quarter of the year with severe impacts of COVID-19 and lockdown measures.

Sector assets declined by 7% to Rs. 5,153Mn and sector liabilities declined by 17% to Rs. 1,764Mn as we repaid loans to reduce interest costs.

OUTLOOK

Driving demand in 2020 will be a challenge with subdued economic performance across the world. However, we will continue to maintain a focused strategy to drive export volumes through customised orders and quality products that meet the standards of high-end international clients. Our extensive manufacturing and quality management expertise will be a key competitive edge while our relentless focus on improving operational efficiency will support margins. Cost management through TPM initiatives, strict energy management and new product development would continue in the near future.

BUSINESS LINE REVIEWS

ALUMINIUM

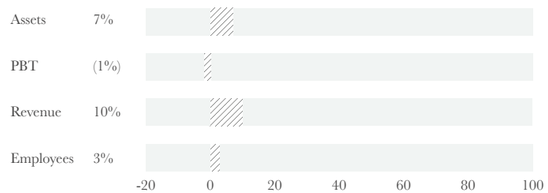
Overcapacity in the industry has prompted us move beyond the standard aluminium profiles. We have tied up with ETEM, a leader in aluminium extrusion in Southeastern Europe to produce higher quality window and door frames to withstand higher wind speed. This proposed joint venture will enable us to supply to the high-rise residential and commercial projects not only in Sri Lanka but in overseas markets as well.

We have embarked on expanding our product range by introducing, multi-purpose ladders, pantry cupboards and aluminium furniture for the domestic market. This downstream development was facilitated by minimal modifications to the existing facilities and we were able to make optimum usage of our existing distribution channels.

The Company introduced solid aluminium doors that have an outer appearance of a solid timber door and was successful in securing an order from the Maldives. Further we commenced sale of unbranded items which have a lower margin but a higher volume due to the competitive pricing.

Due to the intense competition in the local front we commenced export operations by sending goods to the European Union and the United Kingdom and are proud to be the only Sri Lankan company to export in to these markets.

Sector Relevance to Group



SECTOR PERFORMANCE

Financial Capital

	2019/20	2018/19
Revenue (Rs.Mn)	**3,235**	3,134
PAT (Rs.Mn)	**(40)**	(125)
GP margin (%)	**17.8**	17
Total Assets (Rs.Mn)	**3,884**	4,425
Total Liabilities (Rs.Mn)	**2,710**	3,210
ROA (%)	**(1)**	(3)

Manufacturing Capital

	2019/20	2018/19
PPE (NBV) (Rs.Bn)	**1,209**	1,270
Capex (Rs.Mn)	**45**	175
Depreciation (Rs.Mn)	**105**	99
Capacity (MT per annum)	**8,400**	8,400
Capacity utilisation	**46**	61
Locations	**01**	01

Human Capital

	2019/20	2018/19
Employees	**282**	300
Remuneration (Rs.Mn)	**253**	253
Employee Productivity (MT/employee)	**17**	11.38
Investment in Training (Rs.Mn)	**0.3**	3.5

Natural Capital

	2019/20	2018/19
Materials (MT)	**5,371**	5,999
Energy (Mn.KwH)	**4.8**	6.62
Water (Mn.litres)	**26**	40.4
Waste water (Mn.litres)	**23.4**	20.1
Waste (MT)	**1,379**	982

Social & Relationship Capital

	2019/20	2018/19
Distributors and dealers	**243**	221
Projects	**129**	87
Franchisees	**21**	12
Fabricators	**680**	602
No. of suppliers	**208**	244

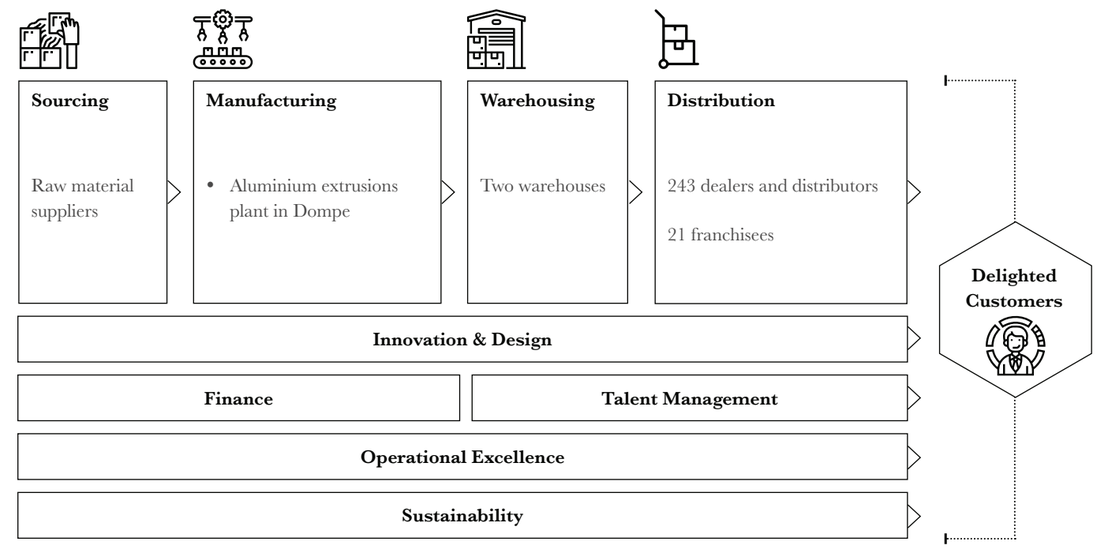
Intellectual Capital

Certifications
ISO 9001:2015
Qualicoat Seaside Certificate
SLS 1410

Nurturing capitals

- New product developments to maximise revenue and to utilise excess capacity.
- Launching of a new brand 'ALLURA' inspired by design.
- More focus on exports, only Sri Lankan Company to export to Europe.
- Technical support provided to distributors and dealers.
- Engagement with suppliers, distributors, dealers and franchisees through pocket meetings, one-to one meetings and training workshops.

OUR PRESENCE IN THE VALUE CHAIN



PERFORMANCE

- The aluminium sector reported a revenue growth of 3% to reach Rs. 3,235Mn through the expansion of the product portfolio and export revenue.
- GP margin improved to 18% from previous year's 17% despite the competitive pricing. Improved GP margin propelled the gross profit to increase by 0.81% to reach Rs. 577Mn.
- Distribution cost increased by 23% to reach Rs. 245Mn while administrative expenses halved to reach Rs. 100Mn. Finance cost also saw a decline of 47% compared to the previous year.
- Net loss for the period came down to Rs. 40Mn, an improvement of 68% compared to the loss of Rs. 125Mn the previous year. The reduction in losses were mainly contributed to the better control of overhead costs.

Sector Performance

BUSINESS LINE REVIEWS

ALUMINIUM

RISKS AND OPPORTUNITIES

Opportunities

- Expanding exports to other regions
- Expanding our product range to compliment the products offered by our Group companies
- Having an already established distribution channel for the new product developments
- Having an well established distribution channel

Risks

- Intense competition in the local market due to surplus capacity
- Exchange rate depreciation leads to increase in production cost

OUTLOOK

We expanded our product portfolio as existing products faced intense competition and price wars made it difficult to create brand loyalty. We were successful in introducing a new brand 'ALLURA' and range of products that are not manufactured by our competitors, and we expect these developments make a significant impact to the top line in the coming year.

We will continue to expand into new overseas markets as this paves the way to utilise excess capacity subsequent to the expansion project we undertook two years ago.

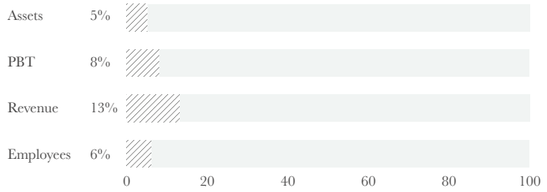
However, COVID-19 had changed the economic landscape significantly not only for Sri Lanka but globally. We will have to alter our strategies to face the tough times and change our course accordingly. We're confident that we will be able to face the challenges that lay ahead and utilise our existing resources to manoeuvre through the coming year.

PACKAGING

Incorporated in 1994, Uni-Dil is one of Sri Lanka's largest corrugated cartons and papersack manufacturers with a market share of over 16% and 27% respectively. Our ability to offer products that are customer specific has given us a strong brand presence within the industry. We have a customer base of over 250 covering tea, rubber, garments, ceramic, and food and beverage.

At present we import paper from the major paper producing countries such as, USA, Canada, Australia, Middle East and Europe.

Sector Relevance to Group



SECTOR PERFORMANCE

Financial Capital

	2019/20	2018/19
Revenue (Rs.Mn)	**4,041**	3,701
PAT (Rs.Mn)	**211**	20
GP margin (%)	**16**	10
Total Assets (Rs.Mn)	**2,985**	2,814
Total Liabilities (Rs.Mn)	**1,647**	1,663
ROA (%)	**7**	1

Manufacturing Capital

	2019/20	2018/19
PPE (NBV) (Rs.Bn)	**781**	768
Capex (Rs.Mn)	**92**	12
Depreciation (Rs.Mn)	**80**	81
Capacity (MT per annum)	**30,000**	30,000
Capacity utilisation (%)	**90**	72
Locations	**01**	01

Human Capital

	2019/20	2018/19
Employees	**538**	408
Remuneration (Rs.Mn)	**296**	348
New Recruitments	**199**	143
Employee Productivity (MT/employee)	**47**	52
Investment in Training (Rs.Mn)	**0.5**	4

Natural Capital

	2019/20	2018/19
Materials (MT)	**26,626**	24,499
Energy (Mn.KwH)	**2.1**	1.93
Water (Mn.litres)	**34.2**	31.2
Waste water (Mn.litres)	**26.9**	21.5
Waste (MT)	**2,790**	2,644

Social & Relationship Capital

	2019/20	2018/19
No. of suppliers	**697**	637

Intellectual Capital

Certifications
ISO 9001:2008
ISO 22000:2005
ISO 14001:2004
WRAP
SMETA
HACCP

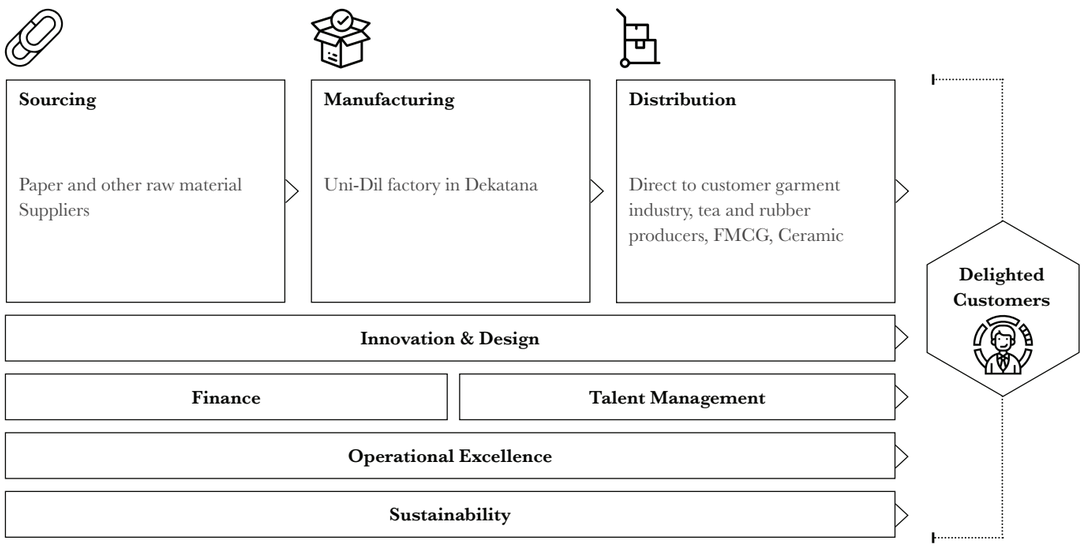
Nurturing capitals

- Revenue growth through volume.
- Reduction in wastage through continuous monitoring.
- Launched Total Quality Management (TQM) covering all functions of the Company.
- Increased export revenue by capturing new markets.
- Redesigned the brand with launching a new logo with brand identity of both corrugated cartoon and papersack.
- Revamped corporate website.

BUSINESS LINE REVIEWS

PACKAGING

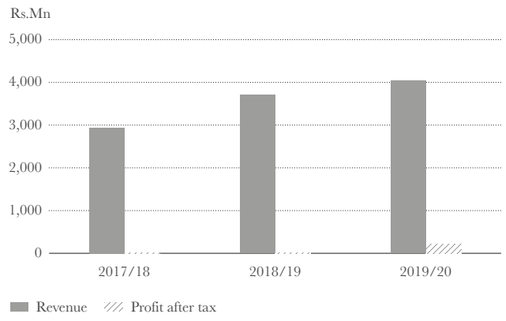
OUR PRESENCE IN THE VALUE CHAIN



PERFORMANCE

- Revenue grew by 9.2% to reach Rs. 4,041Mn. Despite the stagnant prices due to intense competition, this was achieved through acquisition of new customers.
- GP margin which was previously at 10.11% improved to 16% as paper prices were trending lower throughout first nine months of 2019. Cost savings through minimising wastage and continuous monitoring also facilitated the improved margins.
- Selling and distribution expenses increased by 26% to reach Rs. 153Mn while administrative expenses reached Rs. 185Mn, a growth of 27%.
- Finance expenses for the year fell by 40% to reach Rs. 76Mn.
- Healthy increase in the top line, better margins and tightening of the costs paved the way for a over 9-fold increase in net profit for the year as it reached Rs. 211Mn.

Sector Performance



RISKS AND OPPORTUNITIES

Opportunities

- Rapid surge in e-commerce has opened new opportunities for the packaging industry
- Expanding direct export

Risks

- Depreciating LKR resulting in higher production cost as price of paper will increase
- Intense competition within the industry
- High lead time due to multiple product matrix
- Availability of substitute material such as flexible plastic films and plastic containers

OUTLOOK

In order to stay ahead of the competition, we are constantly focused on achieving cost efficiencies which has enabled us to offer competitive prices to our customers as well as improve our margins. Our efforts to minimise wastage has given us significant benefits in the recent past and we will continue our efforts in this.

With the acquisition of a Jumbo printer in March 2020, we look forward to a vertical expansion of large corrugate business where our presence in currently minimum.

The garment export industry is likely to take a major hit from the ongoing pandemic situation and our industry will be directly affected by this. However, tea exports have been resilient amid the chaos and we will focus on expanding our customer base in this segment.

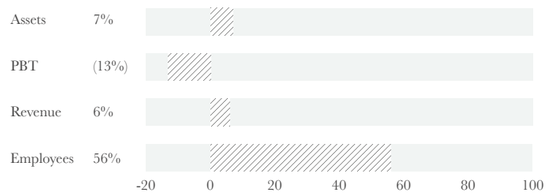
BUSINESS LINE REVIEWS

PLANTATIONS

With a total area of 7,534 hectares spread over 16 estates, Horana Plantations PLC is one of Sri Lanka's leading plantation companies. Primarily located in Central and Western provinces of Sri Lanka, the land extent is dedicated to cultivating premium quality tea (29%), rubber (26%), timber (7%) and other diversified agricultural crops (15%). The Company has a product range that's renowned for its quality and superiority thus most of the estates are internationally certified with quality standards.

A revenue share scheme was introduced in the previous year in order to address the issue of labour shortage. Currently more than 30% of our estate staff are under this scheme where employees are given the opportunity to cultivate on a land provided by us. Estate workers have the responsibility of cultivating and maintaining and we in turn buy their crop from them. This scheme has been effective in retaining the skilled estate workers.

Sector Relevance to Group



SECTOR PERFORMANCE

Financial Capital

	2019/20	2018/19
Revenue (Rs.Mn)	**1,762**	2,020
PAT (Rs.Mn)	**(497)**	2.1
GP margin (%)	**(12)**	8
Total Assets (Rs.Mn)	**3,724**	3,799
Total Liabilities (Rs.Mn)	**2,925**	2,491
ROA (%)	**(13.3)**	0.1

Manufacturing Capital

	2019/20	2018/19
PPE (NBV) (Rs.Mn)	**2,559**	3,324
Capex (Rs.Mn)	**155**	166
Depreciation (Rs.Mn)	**188**	169
Average yield (kg/hect.)		
Tea	**1,177**	1,273
Rubber	**519**	618

Human Capital

	2019/20	2018/19
Employees	**5,399**	5,769
Remuneration	**1,288**	1,136
Employee Productivity (kg)	**561**	616
Investment in Training (Rs.Mn)	**1.6**	1.8

Natural Capital

	2019/20	2018/19
Energy (Mn.KwH)	**2.7**	2.7
Water (Mn.litres)	**91**	90
Waste water (Mn.litres)	**32.2**	30.9
Waste (MT)	**24**	18

Social & Relationship Capital

	2019/20	2018/19
Tea and rubber brokers	**7**	7
Suppliers	**1,018**	1,023

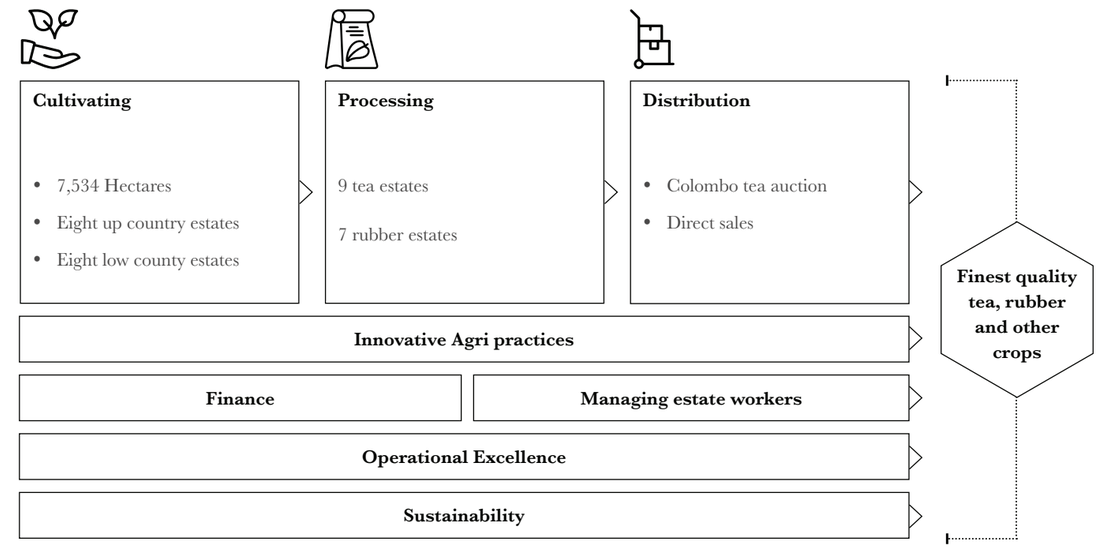
Intellectual Capital

	Locations Certified
ISO 22000:2005 HACCP	7 tea estates
Ethical Tea Partnership (ETP) Certification	8 tea estates
Rainforest Alliance certification (RA)	8 tea estates
ISO 9001QMS	2 rubber factories
FLO and FSC Certifications for sustainable farm management	6 rubber estates
Fair trade	2 tea estates and 1 rubber estate
FSC accreditation	Oil palm

Nurturing capitals

- Diversification to more lucrative non-traditional crops.
- Focus on increasing direct sales.
- Capital expenditure on oil palm and coconut.
- Moving into mechanisation in order to increase efficiency.
- Continuing the Revenue Share Scheme with estate workers.
- Upgrading of factories for manufacturing speciality teas.

OUR PRESENCE IN THE VALUE CHAIN



PERFORMANCE

- On the back of poor global tea prices and drop in rubber crops, the revenue reported by the plantation sector contracted by 5.5% to reach Rs. 1,762Mn. Revenue from tea accounted for Rs. 1,408Mn, while rubber and other crops contributed Rs. 265Mn and Rs. 65Mn respectively. Sales receipts from timber amounted to Rs. 19.5Mn.
- The sector reported a gross loss of Rs. 217Mn amidst high production costs and high labour costs.
- Administrative expenses increased by 26% to reach Rs. 172Mn while finance expenses amounted to Rs. 147Mn compared to the previous year's Rs. 131Mn.
- The Plantation sector reported a net loss of Rs. 497Mn compared to last year's profit of Rs. 2Mn as high production costs, adverse weather, lower sales averages and lack of consistent policy direction pose a threat to the entire industry.

Sector Performance

BUSINESS LINE REVIEWS

PLANTATIONS

RISKS AND OPPORTUNITIES

Opportunities

- Improving our topline through direct sales
- Implementation of innovative agricultural practices. Eg. Inter planting manioc in the coconut plantations
- Repurposing dated rubber land for more lucrative crops

Challenges

- Shortage of labour
- Negotiating the proposed wage increase.
- Lack of policy direction for the industry

OUTLOOK

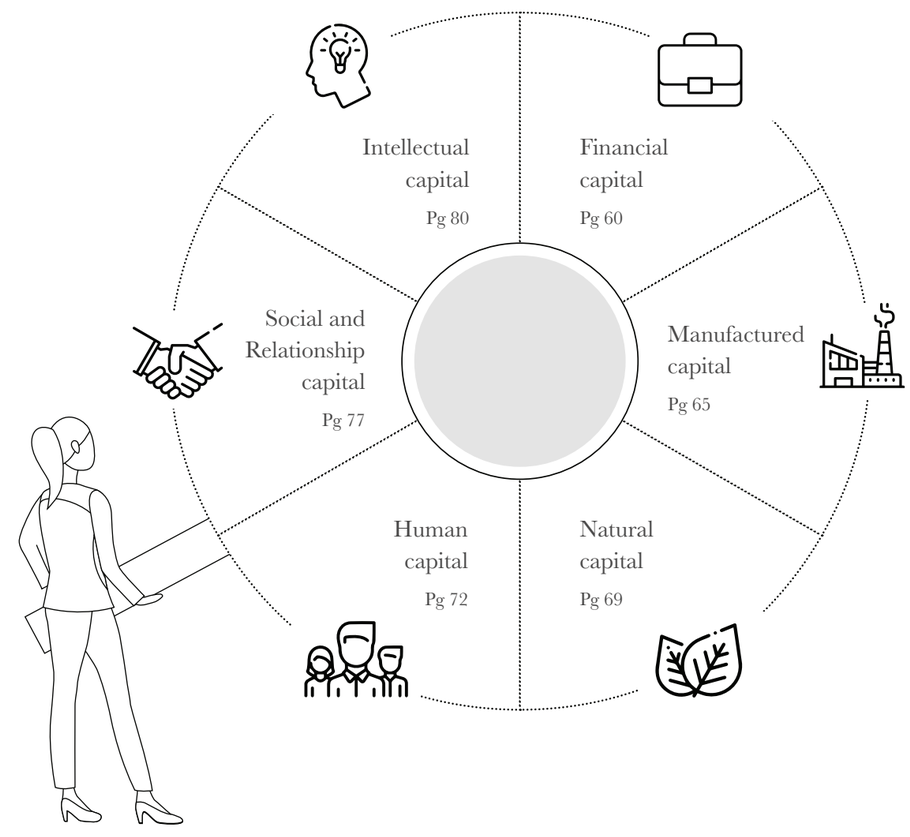
Despite the numerous challenges, we plan on continuing with our diversification strategy by shifting towards more lucrative non-traditional crops. We will continue to integrate technology where possible into traditional agricultural practices to achieve cost efficiencies.

Even amid COVID-19 Ceylon tea continued to attract competitive prices at the weekly tea auctions. The Colombo Tea Auction, which is the oldest uninterrupted tea auction in the world, transitioned into an online platform for the first time amid the lock down. Thus giving us hope that tea industry will survive the inevitable global economic downturn.

New Revenue Streams	
Oil Palm	304 Hectares
Timber Forestry	516 Hectares
Coconut	122 Hectares
Fruits & Spices	153 Hectares

CAPITALS REPORT

The success of our value creation model depends on the efficient and effective use of our resources. This section of the report describes the initiatives of the Group to optimise and grow the pool of resources which is key to building sustainable value to our stakeholders.

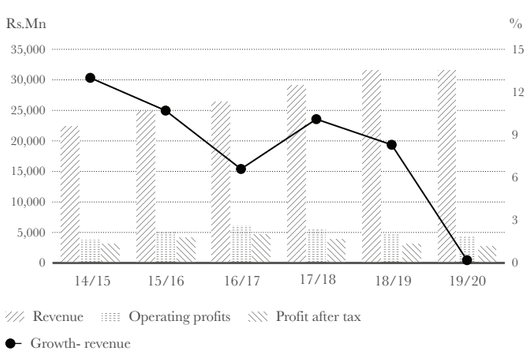


FINANCIAL
CAPITAL

The financial resources are the pool of funds available to the Group including the shareholders equity and borrowings. Effective management of these financial resources is key in generating long term value and ensuring the continuity of our business operations. In 2019/20, Group delivered a profit after tax of Rs. 2,761Mn, despite a challenging year. Assets grew by 6.5% to Rs. 65,145Mn.

	2019/20	2018/19
Growth and profitability		
Asset growth (%)	**6.5**	15
Revenue growth (%)	**0.2**	8.3
Gross margins (%)	**33.2**	32.6
Net profit margins (%)	**8.8**	9.8
Liquidity		
Current ratio (No. of times)	**1.20**	1.23
Quick asset ratio (No. of times)	**0.33**	0.39
Efficiency		
Asset turnover (No. of times)	**0.48**	0.51
Inventory turnover (No. of times)	**1.86**	2.15
Leverage		
Gearing (%)	**37.6**	36.9
Interest cover (No. of times)	**2.58**	3.18
Shareholder returns		
ROE (%)	**8**	9.6
DPS (Rs. per share)	**4.00**	2.00
Net assets per share (Rs.)	**226.87**	207.51

Financial Performance



Financial Position

Rs. 65,145Mn
Assets

Rs. 1,005Mn
Cash

Rs. 34,543Mn
Equity

Rs. 30,602Mn
Liabilities

Rs. 20,833Mn
Interest bearing liabilities

FINANCIAL PERFORMANCE

Revenue

Group revenue remained broadly in line with last year despite the severe impacts of the COVID-19 pandemic in March 2020 and subdued consumer confidence following the Easter Sunday attacks in April 2019. During the year, the revenue of the Group amounted to Rs. 31,554Mn compared to Rs. 31,499Mn last year. Royal Ceramics Lanka PLC (Rocell), the Company, delivered strong revenue growth of 70% during the year mainly due to amalgamation with Royal Porcelain (Pvt) Ltd, a fully owned subsidiary of Royal Ceramics Lanka PLC on 1 November 2019.

Revenue from the tiles and associated product segment which is the single largest contributor to Group revenue remained in line with last year. Revenue from the Sanitaryware and Aluminium sectors too remained broadly in line with last year. The Plantation sector witnessed a setback with revenue declining by 13% to Rs. 1,762Mn. However, the impact of the slowdown was shadowed by revenue growth in the Packaging segment of 9% to Rs. 4,041Mn.

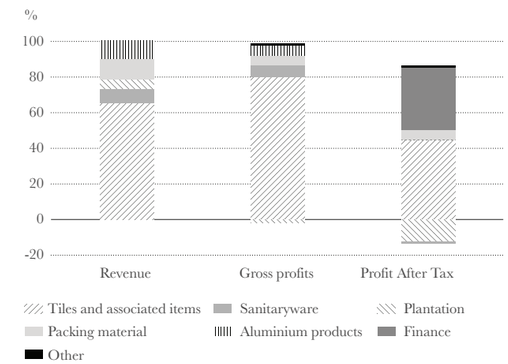
Cost of sales

Despite the sharp exchange rate movements particularly in the last quarter of the financial year, the Group cost of sales remained in line with last year. Tight cost management and TPM initiatives improved productivity and yielded costs savings of Rs. 419Mn during the financial year.

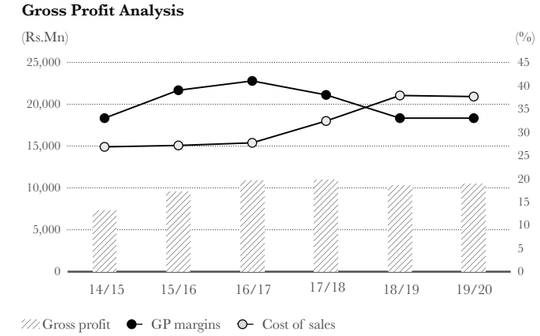
Gross profits and margins

Group gross profits amounted to Rs. 10,481Mn compared to Rs. 10,296Mn last year. Gross margins improved to 33.2% in 2019/20 from 32.7% last year supported by several cost management initiatives. Margins from the Tiles and Associated Product segment, which accounts for 83% of Group gross profits, improved to 42.3% from 39.8% last year as several TPM initiatives were implemented in the tile factories. In addition, the increased focus of value-added products within the Packaging segment further supported Group gross profits. The Sanitaryware segment's gross profit narrowed down to 30% from 38% in previous year, mainly due to initial issues with the bathware exports for global brands which have now been normalised.

Sector Analysis of Performance



Gross Profit Analysis



Operating costs and earnings before interest and tax

Group operating profits declined by 2.2% to Rs. 5,822Mn and margins declined to 18.45% in 2019/20 compared to 18.91% last year. Profitability was impacted by the declining operating income during the financial year due to the lower fair value gains from investment properties. However, other operating expenses including administration and distribution expenses declined by 3.8% and 1.8% and totalled Rs. 6,118Mn.

CAPITALS REPORT

FINANCIAL CAPITAL

"Group assets grew by 6.5% to Rs. 65,145Mn. Non-current assets increased by 4.83% to Rs. 41,655Mn"

PROFIT AFTER TAX

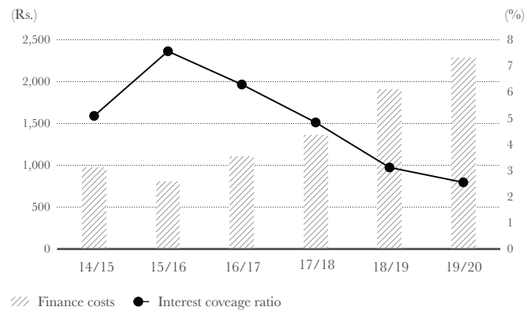
Profit before tax of the Group amounted to Rs. 3,566Mn, a 12.7% drop compared to last year. Net finance costs increased to Rs. 2,256Mn compared to Rs. 1,870Mn last year due to the increase in short term debt and the adoption of SLFRS-16 leases which resulted in Rs. 193Mn being recognised as finance costs for leased properties. The interest cover of the Group was 2.58 times compared to 3.18 times last year.

Other factors affecting profitability;

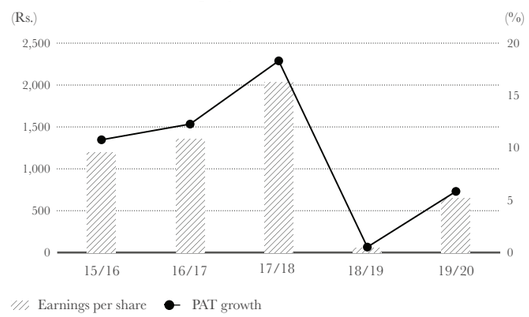
- Income from the associate company increased by 5.28% to Rs. 1,373Mn compared to Rs. 1,304Mn last year,
- The effective tax rate was 22.5% compared to 24.26% last year.

Profit after tax declined by 10% to Rs. 2,761Mn. Earnings per share amounted to Rs. 23.34 per share compared to Rs. 23.85 per share last year. The return on equity to shareholders was 8.0% compared to 9.6% last year.

Royal Ceramics Lanka PLC recorded net profit of Rs. 647Mn in the reporting year compared to Rs. 58Mn in 2018/19 largely due to amalgamation with Royal Porcelain (Pvt) Limited on 1 November 2019.



Performance of the Company-RCL.



*PAT reported in 2018/19 was restated to Rs. 57.7Mn from Rs. 239Mn due to adjustment of Rs. 253Mn in finance costs to reflect the adoption of IFRIC interpretation 23 - uncertainty over income tax treatment.

SEGMENTAL PERFORMANCE INDICATORS

Sector	Tiles and associated products	Sanitaryware	Plantations	Aluminium	Packaging	Other	Group
Revenue (Rs.Mn)	20,461	2,511	1,762	3,235	4,041	166	31,554
Revenue Growth	(0.9%)	1.8%	(12.8%)	3.2%	9.2%	1.4%	33.2%
Gross Profit margins	▲ 42.3%	▼ (30.1%)	▼ (12.3%)	▲ 17.8%	▲ 16.1%	▼ 34.7%	▲ 33%
Profit after tax (Rs.Mn)	1,686	10	(497)	(40)	211	1,359	2,763

FINANCIAL POSITION

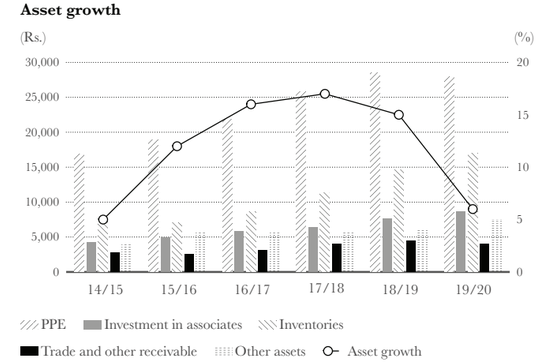
Assets

Group assets grew by 6.5% to Rs. 65,145Mn. Non- current assets increased by 4.83% to Rs. 41,655Mn with the recognition of the right to use assets following the adoption of the accounting standard; SLFRS-16-leases.

Capital investments of the Group amounted to Rs. 1,521Mn in 2019/20 compared to Rs. 4,036Mn last year. Investments in the Tiles and Associated Products continued to form the largest share of the Group capital investments. Value of property, plant and equipment amounted to Rs. 27,901Mn, 2% lower than last year.

Current assets increased by 9.5% to Rs. 23,491Mn primarily due to an increase in the value of inventories of the Group. Group cash and cash equivalents increased by 6.2% to Rs. 1,005Mn. Trade and other receivables declined by 9.2% to Rs. 4,047Mn.

Asset growth



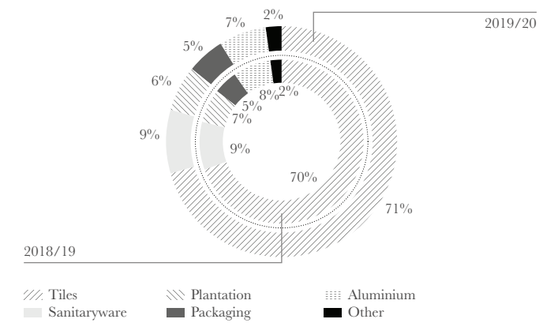
Cash flows

Cash flows from operating activities increased to Rs. 1,308Mn compared to Rs. 223Mn last year as we focused on effectively managing the working capital requirements of the Group. Total working capital flows reduced to Rs. 2,648Mn from Rs. 3,276Mn last year, enabling an increase in cash generated from operations. Cash outflows from investing activities declined to Rs. 1,085Mn compared to Rs. 3,759Mn last year. Cash flows from financing activities also reduced to Rs. 1,322Mn compared to Rs. 1,896Mn last year.

Managing working capital

The investment in working capital of the Group sightly decreased by 0.2% to Rs. 3,874Mn. The current ratio of the Group declined to 1.20 times compared to 1.23 times last year.

Asset by sector



EQUITY AND LIABILITIES

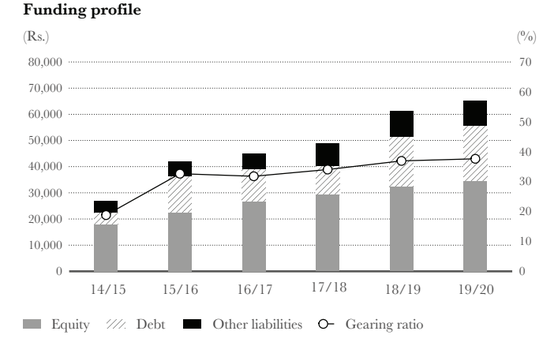
Group liabilities

The total liabilities of the Group amounted to Rs. 30,602Mn of which interest- bearing debt accounts for 68% of total liabilities. During the year, liabilities increased by 5.7% due to the increase in short term borrowings of the Group.

Total debt of the Group amounted to Rs. 20,833Mn, a 10% increase to last year of which short term debt formed a predominant 71.48% of total debt. As a result, current liabilities increased by 11.63% to Rs. 19,616Mn while non-current liabilities reduced by 3.4% to Rs. 10,985Mn. Trade and other payables declined by 4.9% to Rs. 3,631Mn.

The Tiles and Associated Products segment continued to form a predominant 76% of total liabilities. During the year, the sector liabilities declined by 7% to Rs. 23,179Mn.

Funding profile



CAPITALS REPORT

FINANCIAL CAPITAL

Equity

Group equity increased by 7.1% to Rs. 34,543Mn along with an increase in retained earnings. The stated capital of the Group remained in line with last year. The increase in Group reserves was driven by the 11.27% increase in retained earnings to Rs. 20,793Mn.

Royal Ceramics Lanka PLC equity increased by 54% from Rs. 9,447Mn to Rs. 14,585Mn due to strong profit growth.

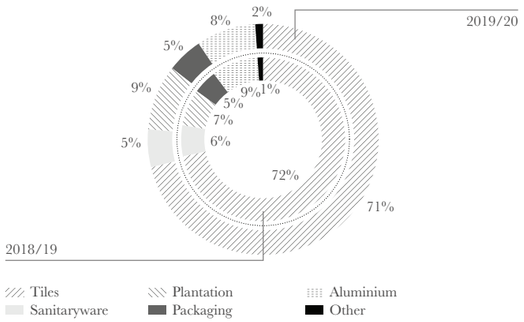
Financial leverage

During the year, the gearing ratio of the Group increased to 37.6% from 36.9% last year due to the increase in short term borrowings.

Shareholder returns

The return on equity of the Group declined to 8% compared to 9.6% last year. The dividend per share increased to Rs. 4.00 per share compared to Rs. 2.00 per share last year.

Liabilities by sector



MANUFACTURED

CAPITAL

Manufactured capital is the physical asset base that a business employs to create value for its stakeholders. For a manufacturing organisation such as Rocell this plays a vital role as more than 90% of the revenue is derived from manufactured capital.

Snapshot	
% of total assets	31.05
Capital expenditure during the year	1.52 Bn
Asset turnover	0.50 Times

Comprising of buildings, plant and machinery, motor vehicles, furniture and fixtures, and tools and equipment, manufactured capital amounts to Rs. 18Bn. It can be broadly categorised as follows,

Buildings Rs. 6,413Mn	Vehicles Rs. 109Mn	Furniture & fittings Rs. 210Mn
Showroom fixtures and fittings Rs. 991Mn	Plant & machinery Rs. 8,348Mn	Other equipments Rs. 972Mn

As a Group we have a major presence in several sectors and in order to maintain our dominance we must ensure smooth operation across all business segments. Continuous investment in state of the art production facilities, and machinery is essential to keep up with the ever evolving technology.

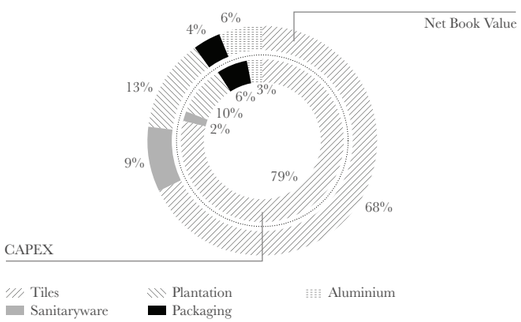
During the year we spent a capital expenditure of Rs. 1,521Mn upgrading our manufacturing facilities by capacity expansion projects, upgrading technology, and health and safety measures and investing in new machinery.

We have a stringent procurement process in place where potential suppliers are evaluated based on the reliability and quality.

CAPITALS REPORT

MANUFACTURED CAPITAL

Segmental Catergorisation



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	Value Drivers	Business Segment	Highlights	CAPEX
Manufactured Capital	Capacity expansion	Packaging	Purchase of Jumbo printing machine and a stitching machine	Rs. 54Mn
	Strengthening of the brand	Tiles and Sanitaryware	Upgrading of existing showrooms	Rs. 53Mn
	Product development	Tiles	Started of manufacturing double charge tiles	Rs. 200Mn

MANUFACTURING FACILITIES

Given below is a brief description of our manufacturing facilities categorised based on the segments.

Segment	Location	Brand	Description	Capacity	Capacity Utilisation	Capital Expenditure
Tiles and associated products	Horana	Rocell	Produces glazed floor tiles in the porcelain, vitrified and ceramic categories for the 'Rocell' brand.	11,000 SQM/day	99%	Rs. 1,199Mn
	Eheliyagoda	Rocell	Produces homogeneous full body porcelain tiles and glazed porcelain tiles.	6,500 SQM/day	95%	
	Ranala	Lanka Tiles	Produces glazed, vitrified and ceramic floor tiles.	15,500 SQM/day	97%	
	Meepe	Lanka Tiles	Produces wall tiles in a variety of colours, textures and sizes including special trim tiles, decorated tiles, as well as handmade tiles.	8,000 SQM/day	95%	
	Ballummahara	Swisstek	Produce tile grouts, tile mortar and decorative pebbles.	45,096 MT per annum	81%	Rs. 100Mn
Sanitaryware	Panagoda	Rocell Bathware	Produces vitreous China and fine fire clay sanitaryware appliances.	326,000 pieces/annum	80%	Rs. 28.5Mn
Aluminium	Dompe	Swisstek	Produces aluminium profiles to fabricate all types of doors, sliding doors, windows, shop fronts, partitions, curtain walls, roller shutters, ladders and tile beading.	700MT per month	87%	Rs. 45Mn
Packaging	Dekatana	Uni-Dil	Produces corrugated cartons and paper sacks for packaging industry	30,000 MT cartons and paper sacks per annum	90%	Rs. 92Mn
Plantation	Nuwara Eliya	Horana Plantation	9 estates producing high grown tea	8,053 MT per annum		Rs. 155Mn
	Kalutara	Horana Plantation	6 estates in Kalutara and one in Ratnapura, producing latex	1,215 MT per annum		
	Ratnapura					

OUR SHOWROOM NETWORK

Due to the tough economic climate capital infusion into the showroom network was kept at a minimum during the year, thus no new showrooms were added. However Rs. 53Mn was spent in upgrading and relocating our existing network in order to give more visibility to our brand. Further, we have upgraded two of our existing showrooms to display kitchen solutions provided by us, a project we initiated this year.

No	Showroom	Address	Telephone
1	Ambalangoda	745, Galle Road, Randube, Ambalangoda	091-4944731/091-2253263
2	Ambalanthota	76 A, Tangalle Road,Thavaluwila, Ambalantota	047-4932446
3	Anuradhapura	521/5, 2nd Stage, Maithreepala Senanayaka Mawatha, Anuradhapura	025-4580294
4	Athurugiriya	39, Godagama Road, Athurugiriya	011-4443641
5	Badulla	70, Bank Road, Badulla	055-4499780
6	Balangoda	52, Barnes Ratwatta Mawatha, Balangoda	045-4927365
7	Bandarawela	348, Badulla Road, Bandarawela	057-4496014
8	Batticaloa	120, 124 Mahathma Gandhi Road, Batticaloa	065-4929450
9	Beruwala	278, Massale, Galle Road, Beruwala	034-4288371/2
10	Chilaw	114, Colombo Road, Chilaw	032-4934126
11	Colpetty	440, R.A. de Mel Mawatha, Colombo 03	011-4209204/5/6
12	Dambulla	679, Anuradhapura Road, Dambulla	066-4935041/2
13	Dehiwala Concept Center	106, Galle Road, Dehiwala North, Dehiwala	011-4202815
14	Eheliyagoda	185 B, Ratnapura Road, Moragala, Eheliyagoda	036-4922946
15	Galle	77, W.D.S. Abeygunawardena Mawatha, Pettigalawatte, Galle	091-4380033
16	Gampaha	174/A/2, Colombo Road, Gampaha	033-4670937/755
17	Gampola	7, T.B. Panabokke Mawatha, Gampola	081-4951436
18	Horana	169, Panadura Road, Horana	034-4285033
19	Ja-Ela Concept Center	203, Colombo Road, Ja-Ela	011-4334173
20	Jaffna	218, Stanley Road, Jaffna	021-4927003/4
21	Kadawatha	320, Kandy Road, Kadawatha	011-4322994
22	Kaduwela	384/B, Malabe Road, Kaduwela	011-4948182
23	Kalutara	443, Galle Road, Kalutara North, Kalutara	034-4280469
24	Kalutara	574, Galle Road, Kalutara South, Kalutara	034-4280933/4
25	Kandy	562, Peradeniya Road, Mulgampola, Kandy	081-4471581
26	Kandy	37, A.A. Dharmasena Mawatha, Mahaiyawa, Kandy	081-4475825
27	Kandy	279, Katugastota Road, Kandy	081-4481759/60
28	Kegalle	504/1, Kandy Road, Meepitiya, Kegalle	035-2230980
29	Kiribathgoda	218, Kandy Road, Kiribathgoda	011-4817231
30	Kottawa	472/1, High Level Road, Makumbura, Kottawa	011-4308413
31	Kuliyapitiya	181, Hettipola Road, Kuliyapitiya	037-4930870, 037-4696134

CAPITALS REPORT

MANUFACTURED CAPITAL

No	Showroom	Address	Telephone
32	Kurunegala	136A, Colombo Road, Kurunegala	037-4690467
33	Maharagama	143, Highlevel Road, Maharagama	011-4319514
34	Malabe	780/1, New Kandy Road, Thalanga North, Malabe	011-4411775
35	Matale	160, Kings Street, Matale	066-4460928
36	Matara	139, Gunawardena Mawatha, Kotuwegoda, Matara	041-4933629
37	Minuwangoda	173, Colombo Road, Minuwangoda	011-4969060
38	Monaragala	"Kandaland" Wellawaya Road, Monaragala	055-4936169
39	Moratuwa	477/1, Galle Road, Rawathawatte, Moratuwa	011-4210726
40	Nawala	101, Nawala Road, Nawala	011-4311311
41	Nawala Concept Centre	30, Narahenpita Road, Nawala	011-4651000
42	Negombo	206, Chilaw Road, Negombo	031-4922192
43	Nittambuwa	52, Kandy Road, Nittambuwa	033-4929681
44	Nugegoda	98, Nawala Road, Nugegoda	011-4405160
45	Panadura	504, Galle Road, Panadura	038-4281898
46	Pelmadulla	232, Rathnapura Road, Pelmadulla	045-4935060, 045-4935065
47	Piliyandala	114, Colombo Road, Piliyandala	011-4210675
48	Ratnapura	223, Colombo Road, Ratnapura	045-4360318
49	Rocell Design hub	100, Narahenpita Road, Nawala	011-4691705/06
50	Seeduwa	587, Negombo Road, Liyanagemulla, Seeduwa	011-4831987
51	Trincomalee	2/1, Kandy Road, Trincomalee	026-2225008
52	Vavuniya	Sri Bodhi Dakshinaramaya, Kandy Road, Vavuniya	024-4928331/2
53	Wattala	158, Negombo Road, Wattala	011-4818563
54	Wennappuwa	338,Chilaw Road, Wennappuwa	031-7634003
55	Nawala-Lanka Tile	215, Nawala Road, Narahenpita	011-4526700
56	Perceptions Tile Gallery-Lanka Tile	133, Jawatta Road, Colombo 05	011-3883510
57	Swisstek Aluminium Ltd	23, Narahenpita Road, Nawala	011-7807120

OUTLOOK

The on going COVID-19 pandemic has severely impacted the global economy and repercussions are expected to be much worse than 2008/09 global financial crisis. The local economy too is already showing signs of weakening conditions. This will have a direct impact on our Group, as customers are likely to move away from construction related activities. The depreciating rupee will bring our margins down and profitability will be affected. Thus, we're likely to keep our capital expenditure in the coming year to a minimum and focus on making optimum usage of our existing resources. Despite the gloomy outlook we're confident that we would be able to retain our market dominance with uninterrupted production flow as most our manufacturing facilities have undergone expansions/upgrades recently.

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NATURAL

CAPITAL

Our business activities depend on several natural resources such as ball clay, feldspar, silica sand, aluminium and paper. In addition, we cultivate tea and rubber in 4,198 hectares of agricultural land and we obtain raw material for the tile manufacturing from the mines located at Owala, Dediyawala and Meetiyagoda.

Environmental sustainability is key as our business activities depend on several natural resources such as ball clay, feldspar, silica sand, aluminium and paper. In addition, we cultivate tea and rubber in 4,198 hectares of agricultural land, and we obtain raw material for tile manufacturing from the mines located at Owala, Dediyawala and Meetiyagoda. With this dependence on natural resources, Rocell has always considered its environmental commitments a strategic priority, and ensure strict environmental compliance and safe disposal of waste to minimise environmental risks. We have implemented several initiatives to minimise wastage of natural resources and optimise material, energy and water use thought recycling, recovery and reuse. In addition to ensuring a sustainable business model, we also add value by producing environmentally friendly packaging materials. High levels of environmental consciousness, support innovation and improvement as we believe that this is just good business in the short, medium and long term.

OUR ENVIRONMENTAL IMPACT

Water

Water withdrawn Ltr	2019/20	2018/19
Tile	**175,581,654**	176,161,876
Sanitaryware	**43,851,420**	36,421,740
Packaging	**34,269,748**	31,261,800
Aluminium	**26,000,000**	40,410,166
Plantation	**91,398,498**	89,872,674
Other	**999,796**	12,073,149
Group	**372,101,117**	386,201,405

Energy

Energy consumed (CEB) Kwh	2019/20	2018/19
Tile	**57,658,608**	51,012,936
Sanitaryware	**3,574,405**	3,465,220
Packaging	**2,185,231**	1,930,126
Aluminium	**4,775,926**	6,618,499
Plantation	**2,200,161**	2,784,326
Other	**99,211**	155,590
Group	**70,493,542**	65,966,697

Waste

Waste MT	2019/20	2018/19
Tile	**28,845**	19,218
Sanitaryware	**2,175**	2,292
Packaging	**499**	2,657
Plantation	**24**	14
Other	**6,792**	7,132
Group	**38,336**	31,313

Material

Material consumed MT	2019/20	2018/19
Tile	**276,925**	253,293
Sanitaryware	**2,856**	3,586
Packaging	**26,626**	24,499
Aluminium	**5,371**	5,999
Plantation	**13,185**	14,697
Other	**37,991**	39,699
Group	**362,954**	341,773

CAPITALS REPORT

NATURAL CAPITAL

ENVIRONMENTAL COMPLIANCE

GRI - 307-1 | 308-1

In addition, to the below certifications, all our factories complied with the requirements of the Central Environment Authority (CEA) license as well.

Sector	Certification
Tiles and Associated Products	Green SL Labelling system, ISO -14001
Packaging	ISO -14001
Plantations	• Ethical Tea Partnership • Rainforest Alliance
Sanitaryware	• WELS Certification • Green labelling certification
Aluminium	ISO 14001

MONETIZED NATURAL CAPITAL

Our land bank includes agricultural land, clay mining land and other freehold land used for various commercial purposes such as showrooms and warehouses. During the year, bearer biological assets consisting of investments on tea, rubber, oil palm and other diverse crops, were valued at Rs. 2,228Mn. These assets formed 3.4% of the Group total assets. Consumable biological assets were valued at Rs. 632Mn, an 7.8% increase to last year.

Access to mining lands is critical to ensure the long-term sustainability of our key business activities and Rocell holds freehold and leasehold rights on 110 acres of mining land which cater our inhouse clay requirements.

MATERIALS

GRI - 301-1 | 301-2

The manufacture of tiles requires the use of different forms of clay including ball clay, feldspar and kaolin. As most of the materials are non-renewable, we work on several initiatives to minimise wastage and reuse resources. During the year, we consumed 316,270 MT of non-renewable materials including clay, silica sand and cement. Within the tile manufacturing sector, 99% of minerals used were recycled and reused while the balance was crushed and used to refill clay mines. We also focused on minimising wastage. Several TPM initiatives, strict monitoring measures and solid waste separation systems supported in managing wastage and enabled the Group to reuse 11,330 MT of wastage.

Consumed (MT)	2019/20	2018/19
Renewable		
Billet	**4,943**	5,367
Chemicals	**1,785**	2,214
Field Latex Rubber	**2,118**	1,937
Green Leaf	**11,067**	12,760
Ink	**104**	188
Paper	**26,084**	24,026
Powder	**123**	127
Other	**460**	647
Total	**46,684**	47,266
Non-Renewable		
Ball Clay	**93,671**	94,558
Feldspar	**145,576**	130,372
Cement	**13,715**	12,595
Kaolin	**17,723**	17,618
Silica Sand	**39,294**	35,967
Other	**6,291**	3,397
Total	**316,270**	294,508

ENERGY

GRI - 302-1 | 302-3 | 302-4

The Group continued to implement several initiatives to manage its consumption of non- renewable energy sources. In total, we consumed 70Mn.Kwh of energy compared to 66Mn.Kwh last year. Various energy saving initiatives enabled the Group to save 321,261Kg of LPG and 253,773 Kwh of electricity during the year.

Key initiatives include,

- The waste heat recovery project was first installed in the Horana plant in September 2019 and we expect to extend the project to other tile factories as well
- Installation of capacitor banks
- Increasing usage of renewable sources. In the manufacture of corrugated packaged, we replaced furnace oil with firewood
- Perform routine maintenance checks on plant and machinery
- Encourage off peak electricity usage and reduce usage during peak hours
- Using energy saving LED lights in showrooms and replacing air conditioners to inverter type
- Installation of skylights to save electricity consumption during day time
- Planting of trees for fuel wood by Horana Plantation

Energy consumed within the organisation	Metric	2019/20	2018/19
Renewable			
Firewood	000 kg	**10,233**	12,052
Hydro power	000 Kwh	**532**	
Non-Renewable			
Diesel	000 Litres	**1,350**	1,037
Furnace	000 Litres	**329**	704
LPG	000 kg	**24,371**	25,401
Electricity	000 Kwh	**70,494**	65,967

WATER

GRI - 303-1 | 303-3

We use water to serve the manufacturing and various other operational needs of our Group. The Tiles and Associated Products segment accounted for 47%. The Group water consumption of the water sources, ground water formed 61% of water withdrawals.

Water consumed (Mn litres)	380.4
Ground water	227.5
Municipal water	77.3
Rainwater-harvested	2.2
Surface water	63.7
Third party supply	9.7

Several measures including stringent monitoring of waterflows by fixing metres and recycling of waste-water continued during the year. During the year, the Group recycled 138Mn litres of water consumed.

EFFLUENTS DISCHARGE

GRI - 306-1 | 306-2

Total solid waste discharge during the year was 38,247 MT of which the Tiles and Associate Product Segment accounted for 75% of the total. The Group maintains strict environmental compliance and ensures the safe disposal of all its solid waste after segregation. Internal audits were performed to ensure conformity to guidelines of the Central Environmental Authority (CEA). Any hazardous waste such as sludge were given to cement manufacturing factories.

Other waste products such as paper waste, organic waste and waste materials were sold to third parties, and reused in the manufacturing process. During the year, we converted 11,330 MT of squaring waste material to reusable forms. We also segregated food waste to be used as animal feed.

Ensuring the safe disposal of wastewater is also a priority to the Group. Effluent treatment plants were installed in factories and the quality of water tested prior to discharge.

Disposal of solid waste (MT)	38,336
Composting	14
Inclination	57
Landfill	11,265
On-site storage	7,052
Other	32
Recycling	8,584
Reuse	11,330

Waste water (Mn.litres)	196
Municipality sewerage	4.2
Other	8.9
Recycled through effluent treatment plants	121
Soakage pits	31
Rivers, lakes and wetlands	31

Other

Managing other adverse impacts such as dust, sound and noise pollution is key to our business. These were managed through dust collectors, dust suction plants, sound-proof canopies and sound -proof cubicles which prevent excessive noise levels flowing to operational areas.

CARBON FOOTPRINT

Measures to minimise our carbon footprint:

- We minimise our carbon emissions by using heat exhaust chimneys and other energy reduction initiatives. We also ensure safe emission of gases from the melting furnace through these chimneys.
- Assessed the clay mines of suppliers to ensure mines are adequately back-filled. During the year, new suppliers were assessed for environmental compliance.

Precautionary principle

We are committed towards minimising the unfavourable impacts on our environment. We assess our new suppliers for environmental compliance and implement several initiatives to minimising unfavourable impact to our environment.

HUMAN CAPITAL

Talent management drives our reputation of performance excellence across seven diverse sectors. Recruiting, developing and retaining specialised talent is important to deliver our corporate strategy and sustain value creation. At Rocell, we foster an agile and high performing culture. In addition to ensuring a conducive workplace, we also ensure our employee voices are heard through various channels to understand their needs and enhance their welling and progression to drive a productive and satisfied team.

About our specialisation

Tiles and Associated Products	Sanitary& Bathware	Plantation	Packaging	Aluminium	Other
2,934	405	5,399	538	282	68

Nurturing our excellence

Rs. 6Mn Training spend	Rs. 3.2Mn Tiles and Associated Products	Rs. 0.6Mn Sanitaryware	Rs. 1.6Mn Plantation	Rs. 0.1Mn Packaging	Rs. 0.3Mn Aluminium

Key policies

- Employment policy
- Open door policy
- Recruitment policy
- Whistle blowing policy

How we listen

Structured Engagement	Other Engagements	Informal
Performance appraisals	Open door policy	Welfare activities
Employee surveys	Grievance mechanisms	Cultural celebrations

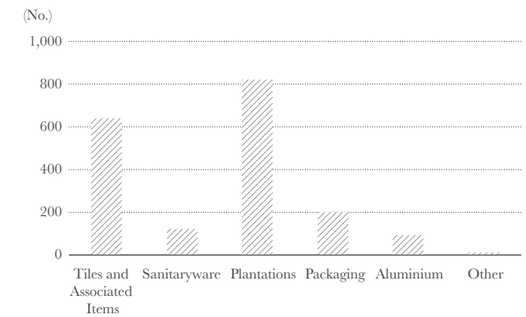
ABOUT OUR TEAM

GRI - 102-8 | 401-1 | 405-1

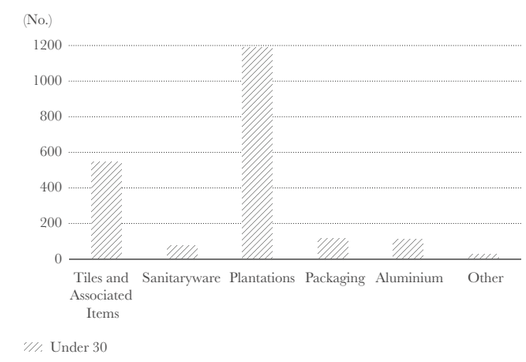
During the year, we recruited 1,883 employees of which the Tiles and Associated Products, and Plantation sectors had the highest recruitments. We also continued to maintain the dynamism of our workforce with fresh talents drawn from various age Groups and regions of the country. Our partnership with organisations such as NAITA enabled us to recruit the right fit for the business. In addition, Rocell in collaboration with NAITA is in the process of designing our own curriculum for tilers and plumbers who will be part of our registered tilers on the completion of the curriculum. In 2019/20, 1,000 registered tilers were part of the curriculum.

During the year, 2,063 employees left the Group with the Plantation sector accounting for 57% of the turnover. This is an ongoing challenge for the plantation sector and the Group has taken measures to enhance employee satisfaction through projects which improve livelihoods through nutrition and programmes, sanitation and other welfare facilities to employees and their families. In addition, we embarked on a revenue sharing model by allocating a certain acreage of our agricultural land to employees to foster their entrepreneurship skills. In addition, several initiatives to measure employee satisfaction were conducted through surveys, performance appraisals and periodic meetings.

Recruitment



Attrition



By gender and category	Male	Female	Total
Senior management and above	101	8	109
Executive	479	112	591
Non-executive	2,639	338	2,977
Other	2,934	3,015	5,949
Total	**6,153**	**3,473**	**9,626**

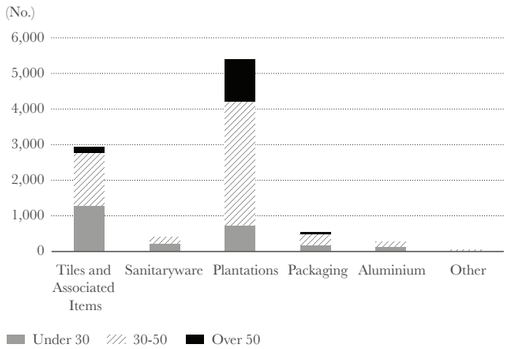
By contract and region	Permanent	Contract	Outsourced
Central	4,258	31	-
Eastern	20	3	-
North Central	36	12	-
North Western	32	-	-
Northern	60	-	-
Sabaragamuwa	699	86	54
Southern	158	25	7
UVA	43	-	-
Western	3,729	269	89
Total	9,035	441	150

CAPITALS REPORT

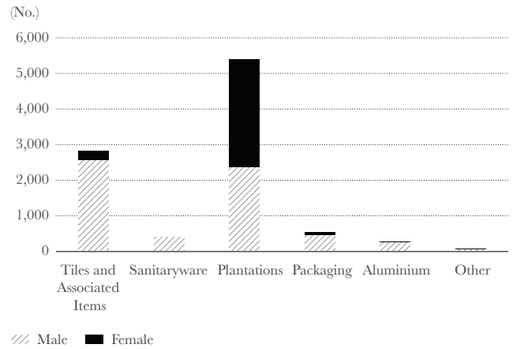
HUMAN CAPITAL

Diversity and Inclusion

By Age



By Gender



By Age Group	Recruitment	Turnover
30-50 years	727	433
Over 50 years	134	938
Under 30 years	1,022	692

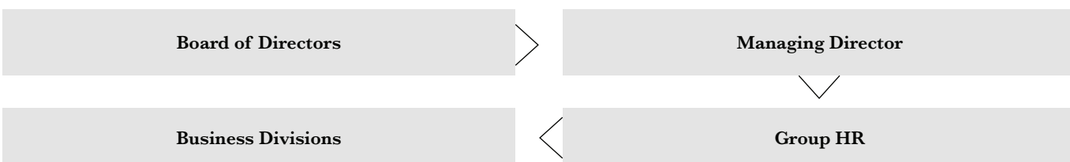
By Gender	Recruitment	Turnover
Male	1237	1,278
Female	646	785

By Province	Recruitment	Turnover
Central	599	568
Eastern	4	2
North Central	12	15
North Western	23	13
Northern	8	5
Sabaragamuwa	187	165
Southern	55	49
UVA	21	16
Western	974	1,230

GOVERNANCE AND POLICIES

Managing human capital is an essential part of our corporate strategy. A sound governance framework with well defined policies and ethical work practices forms a core part of human capital management. Rocell maintains a centralised human resource function which is overseen by the Human Resource and Remuneration Committee (REM). In addition, day-to-day, human resource related matters are handled by the separate HR divisions of each subsidiary. Monthly meetings with divisional managers were held to discuss key employee related matters. In addition, meetings with the REM committee were held every quarter.

Our HR policies uphold employee rights on freedom of association and collective bargaining. The Group maintains healthy relationships with trade unions as our factory workforce across the Group are covered by collective bargaining agreements.



Employee Grievances

The Group wide open-door policy enables employees to come forward with their grievances. Employees are free to discuss any grievances with their line managers. They may also report any incidents to the HR department or the Managing Director. During the year, there were no grievances reported.

EMPLOYEE COMPENSATION AND BENEFITS

GRI - 401-2 | 401-3 | 402-1

Offering a competitive compensation package is important to retain our specialised expertise. Our remuneration packages are in line with industry practices, laws and regulations, fair and on par with industry standards. The Remuneration Committee and the Board are responsible for determining the equitable distribution of value added between the stakeholders, maintaining a sustainable equilibrium. During the year, we did not face any penalties due to non-compliance with labour laws and regulations. We also maintained an adequate notice period prior to any significant operational changes.

In addition to the basic pay, salaries and defined benefit contributions, we also offer the following employee benefits

1. Parental leave
2. Health insurance/Medical cost reimbursement
3. Gratuity payments

In addition, certain employee benefits were specific to the respective sectors. The Tiles and Associated Products sector provided financial assistance for educational qualifications, subsided meals, medical benefits, medical campaigns and foreign tours for high performing sales staff.

The Plantation sector employees benefited from housing facilities, sanitation projects and financial assistance. Benefits in the Aluminium sector included motorcycle loan schemes, subsidised meals and health insurance covers.

CAREER PROGRESSION

Recognising and rewarding talent is important to improve productivity and enhance employee satisfaction. During the year, 100% of our workforce was part of the performance appraisal system of the Group. Key performance indicators were communicated with employees and served as a platform to evaluate employee performance and contribution to the corporate strategy. Supporting the development of employees, 167 employees were promoted during the year.

HEALTH AND SAFETY

GRI - 403-2

Being a predominantly manufacturing organisation, heath and safety is paramount in our business. Stringent standards are adopted at all factories to minimise any health and safety risks. In addition, factory level employees were also part of monthly health checks. The following entities have OHSAS certification affirming health and safety standards in line with international best practice.

Key initiatives across the group

With these initiatives, number of injuries totalled 930 in 2019/20.

Occupational injuries	
Falling	15
Injuries	131
Exposure to toxic	21
Other	79
Total	246

CAPITALS REPORT
HUMAN CAPITAL

TALENT DEVELOPMENT

GRI - 404-1 | 404-2

The Group continued its talent development initiatives through internal and external resources. The average training coverage ratio was 5.33 hours per employee.

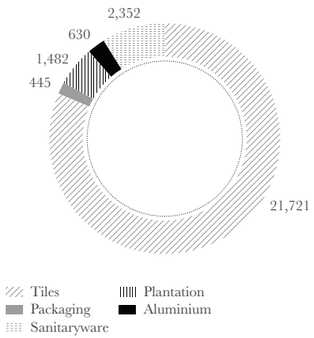
The Group training spend during the year amounted to Rs. 6Mn. Total training hours were 26,630 hours. The key focus areas of the training programmes during the year were on upgrading technical skills, increasing awareness on health and safety aspects and total productive maintenance (TPM) initiatives. In addition to talent development strategies, we also implemented several productivity enhancement initiatives across several factories. These TPM initiatives provided cost savings and helped improve productivity of the employees.

	2019/20
Training hours by category	
Senior management and above	511
Executive staff	8,228
Non-executive staff	12,456
Other-includes security and janitorial	5,435
By Gender	
Male	22,313
Female	4,317

EMPLOYEE ENGAGEMENT

Work life balance is key to enhance employee performance. During the year, Rocell continued to host several welfare events to foster collaboration and networking between employees. The great place to work survey at Lanka Tiles showed a satisfaction score.

Training hours



SOCIAL AND RELATIONSHIP
CAPITAL

A business depends on its relationships for growth and success. We rely on our customers to purchase our products, support our cash inflows. We depend on our suppliers to provide necessary raw material and services to ensure uninterrupted operations and superior quality. A favourable relationship with the regulators is key to smooth operations and other incentives. Finally, investing and assistance in developing the community we operate in is vital for our sustainability.

REGULATORS

Customer Base
- Consumers
- Distributors
- Franchisees and retailers
- Brokers
- Architects
- Tilers
- Fabricators

Rocell Group
- Tiles and Associated Products
- Sanitaryware
- Aluminium
- Packaging
- Tea, rubber & other crops

Supply Chain
- SME suppliers
- Large scale suppliers
- Sub-Contractors
- B2B suppliers
- Others

COMMUNITY

Value Delivered

Customers
- 10,831,550 SQM of tiles
- 2,641,000 kg of tea
- 586,000 kg of rubber
- 4,049 MT of aluminium
- 172,058 pieces of bathware
- 236,896 pieces of bathware accessories
- 22,539 MT of corrugated cartons
- 3,409 MT of paper sacks
- Eco friendly packaging
- Dedicated designers

Suppliers
- Rs. 17,525Mn paid to local suppliers
- Rs. 8,474Mn paid to overseas suppliers

Government
- Rs. 703Mn worth of taxes paid
- Export revenue of Rs. 914Mn

Community
- CSR spend of Rs. 6Mn
- Direct and indirect employment opportunities

CAPITALS REPORT

SOCIAL AND RELATIONSHIP CAPITAL

RELATIONSHIP WITH OUR CUSTOMERS

Our customer touchpoints

Tiles & Sanitaryware
- 58 own stores
- 5 hybrid stores
- 15 factory outlets
- 349 dealers
- Tiler club
- Design Conclave
- Call centre
- Android, iOS App
- Social media

Aluminium
- 2 own stores
- 21 franchise showrooms
- 5 distributors
- 238 direct dealers

Packaging
- B2B customers

Plantations
- Tea and rubber brokers

Our customers represent diverse segments such as commercial and residential direct users, distributors, franchisees, architects, and tilers. Communication with them is vital for us to understand customer preference, and current market trends. In return we deliver value to our customers by having a wide range of products that are of superior quality, while delivering value for money. Through our call centres customers are given the opportunity to give feedback and obtain any assistance if required. Social media platforms are used to educate customers about our product range and marketing campaigns.

The Lanka Tiles app, is a comprehensive app available for Android, IOS and Windows systems and provides potential customers as well as intermediaries with a look and feel of the designs available. The Visualiser feature of this app allows the customer to apply preferred tile design to a virtual wall/floor, giving them a opportunity to visualise end result of the tiled space. Further users also have access to a data base of over 4,725 tilers and contact details of the local distributors.

Customer Satisfaction

Superior Product Quality
- Certifications affirm compliance with the international best practices
- Products and processes subjected to quality assurances
- Continuous monitoring

Customer Support
- Call centre to assist customers and to handle customer complaints
- A dedicated customer management unit to handle grievances
- Proper follow up on customer complaints
- Conducting of customer satisfaction surveys
- Use of social media to educate our customer base

Innovation
- A comprehensive product portfolio catering to diverse customer requirements
- Various new designs introduced within the year
- Rs.110Mn investment in research and development

Colombo Design Conclave, was launched this year by Rocell in an effort to promote architecture and design standards and to enhance engagement among the industry. This is a platform to bring together the architecture and design fraternity together with the Rocell Group with the objective of collaboration with the professionals and to work closely with them. "Hubtalks" is a part of this initiative and focuses on knowledge sharing where an industry expert conduct informative and interactive programmes.

Colombo Design Conclave, a platform for the industry stakeholders to collaborate and innovate.

Tilers
- Tilers club membership and events
- Providing technical support
- Conducting training programmes

Architects
- Sponsorship for flagship events
- Discounts for registered architects
- Design conclave and other events

Aluminium fabricators
- Conducting training programmes
- Assistance with technical expertise

ENGAGING WITH OUR SUPPLIERS

Positive relationships with our suppliers go a long way in improving business processes between both parties. By creating a streamlined approach, we can enhance efficiencies for both businesses. The main focus is on creating a mutually beneficial relationship which is key to sustainability.

Our supplier base is comprised of both local and international providers. Every vendor is vetted based on their product quality, conformity to regulatory requirements as well as social and environmental best practices. Periodic assessments are carried out to ensure quality and reliability.

STRATEGIC PARTNERSHIPS

Our ability to foster effective relationships has a direct impact on our growth. Partnerships with suppliers, relationships with industry experts and contacts with world renowned brands have paved the way for us to improve our processes and products, thus having a positive influence on our financial capital and strengthen, our brand presence.

Value Delivered
- 4,147 Local suppliers
- 208 Overseas suppliers
- Rs. 17,525Mn payments to local suppliers
- Rs. 8,474Mn payments to international suppliers

SUPPLIER VALUE PROPOSITION

Fair Dealing
- Annual registration of all suppliers
- Monthly procurement meetings
- Timely payments
- Strict adherence to contracts
- Transparency

Knowledge Sharing
- Quality inspections prior to placing the order and at the point of receipt
- Feedback
- Ensuring that suppliers conform to all regulatory requirements.
- Ensuring that suppliers are certified by the Central Environmental Authority

Value Delivered
- Financial support
- Assistance with technical support when required
- Providing feedback

COMMUNITY ENGAGEMENT

Engaging with the local community is an important aspect of Rocell's business philosophy. We acknowledge and understand the mutual dependency of this relationship and thrive to enhance the quality of life within the community while ensuring our business growth. Over the years we have conducted many community developments projects to improve healthcare, education, infrastructure and sanitization within the community.

CSR INITIATIVES DURING THE YEAR
- Tile donation to schools,religious institutions and hospitals
- Medical & Eye camp
- Blood donation campaign
- Dental clinic
- Road development project
- Sponsorship for road lighting
- Donation of school uniforms to Dhamma school students
- Donation of school equipments
- Monetary donation to Manusath Derana during the Covid-19 Pandemic

INTELLECTUAL CAPITAL

Our brand value is built on the superior product quality and innovative designs. Our flagship brand, Rocell has captured both local and international markets. Designed by top architects in Italy, Rocell products are visually appealing and this is complimented with high standards of quality and functionality.

Intellectual capital is the intangible value of our Group. Essentially it is the collective outcome of all other capitals, namely, human, manufactured, financial, social and relationship, and natural. This is what drives the competitive advantage we possess over others in the industry. Intellectual capital can be broadly categorised into,

BRAND VALUE

Our brand value is built on the superior product quality and innovative designs. Our flagship brand, Rocell has captured both local and international markets. Designed by top architects in Italy, Rocell products are visually appealing and this is complimented with high standards of quality and functionality. The Group's other brands Rocell Bathware, Lanka Tiles, Swisstek, Uni-Dil and Horana Plantations are also viewed as major brands and well established in their respective market segments. Rocell together with Lanka Tiles holds more than 43% of the local tile market in volume while Rocell Bathware have more than 40% of the market in value. Swisstek is ranked as the second largest player in the aluminium industry and Uni-Dil is a leading contender in the packaging industry. Horana Plantation has gained a reputation for producing finest quality High Grown tea and attracts top prices at the Colombo Tea Auction.

Our Brands

SYSTEMS AND PROCESSES

Streamlined processes and systems are in place to ensure uninterrupted production and to drive effectiveness and efficiency. These systems include,

- A production quality system in the manufacturing facility where best practices for workflows, health and safety environmental safety are implemented.
- Employee performance management system implemented across the Group.
- Total Productive Maintenance (TPM), a Group wide in-depth and wide-reaching productivity improving initiative. This includes a comprehensive evaluation of existing production flows and procedures and will identify modifications needed to enhance overall productivity. This process also eliminates any repetitive activities, duplications and redundant steps within the system.

KNOWLEDGE AND EXPERTISE

Our knowledge and expertise is what gives us the competitive advantage in the intense competitive environment we operate in. Industry know-how gathered over the years together with tried and tested recipes we have developed in producing tiles has given us the edge over the others in the industry. Years of experience our employees have gathered by working within the industry adds to our knowledge expertise.

RESEARCH AND DEVELOPMENT

Research and development in a continuous process as we continue to strive to improve the quality of our products by understanding the new trends and customer preferences. This also assists us in managing our resources in a more sustainable manner. We have a dedicated R&D team. During the year, research and development costs of the Group amounted to Rs. 110Mn.

Each of our factories has R&D personnel who work closely with the raw material suppliers. We are aware of the limitation of our expertise in this regard and seek assistance from our local and international suppliers when necessary.

A dedicated business development team is in place to identify potential areas for product and market development. Efforts during this period include,

- Launch of several tile designs such as, polished glazed porcelain tiles, mozac tiles, non slippery outdoor tiles
- Venturing into manufacturing wall tiles
- Launch of kitchen designs

CERTIFICATIONS

Given below is a list of certifications we complied with during the year covering areas related to product quality, health and safety, and sustainability.

Certification	Description
Royal Ceramics Lanka PLC	
SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
SLS ISO 9001	Authorised Schedule and Certificate of Conformity to ISO 9001 standards, issued by Sri Lanka Standards Institution for Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles
SLS 1181	Certificate of Conformity issued by Sri Lanka Standard Institute for the Rocell brand of dry pressed ceramic tiles
CE Marking	Certificate of Conformity to European Standards issued by Euro Veritas Limited - Glazed Ceramic Tiles
Green SL Labeling System	Certificate for Environmental Performance issued by the Green Building Council of Sri Lanka
Rocell Bathware Ltd.	
SLS ISO 9001	Authorised Schedule and Certificate of Conformity to ISO 9001:2008/SLS ISO 9001:2008 standards, issued by Sri Lanka Standards Institution - Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles
SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
CE Marking	Certificate of Conformity to European Standards issued by Euro Veritas Limited - Glazed Vitrified Tiles
Watermark Certification	Watermark certification of conformity level 1 and 2
Green SL Labelling System	Certificate for Environmental Performance issued by the Green Building Council of Sri Lanka
WELS	Water Efficiency Labelling Scheme, Australia - 4 Star rating

CAPITALS REPORT

INTELLECTUAL CAPITAL

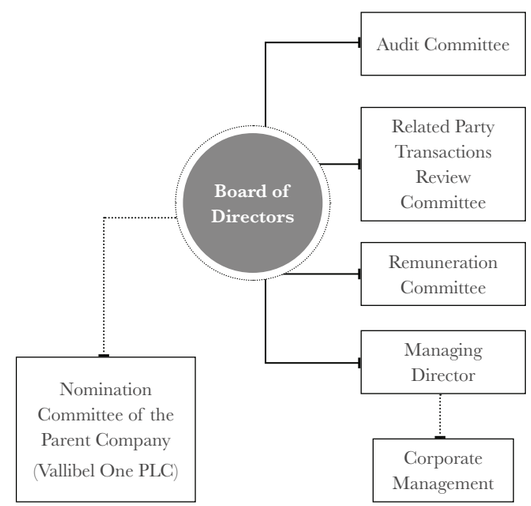
Certification	Description
Lanka Tiles PLC / Lanka Walltiles PLC	
Green SL Labelling System	Certificate for Environmental Performance issued by the Green Building Council of Sri Lanka
SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
SLS ISO 9001	Authorised Schedule and Certificate of Conformity to ISO 9001:2008/SLS ISO 9001:2008 standards, issued by Sri Lanka Standards Institution - Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.
SLS ISO 18001	Occupational health and safety assessment series
Swisstek Aluminium	
SLS ISO 9001	Certification of Quality Management System for manufacturing process quality
SLS 1410	Certificate of Conformity issued by Sri Lanka Standard Institution for Swisstek Aluminium brand extruded aluminium alloy profiles
Qualicoat Seaside Certification	Authorisation to use the quality sign of 'Qualicoat'
Uni-Dil Packaging (Pvt) Ltd	
HACCP	Certification by SGS Lanka for food safety
ISO 22000	Certification of Quality Management System for food safety
ISO 9001	Certification of Quality Management System for manufacturing process quality
ISO 14001	Certification of Quality Management System for environmental management
WRAP Certification	Worldwide responsible accredited production
SMETA Certification	Sedex members ethical trade audit
Horana Plantations PLC	
Ethical Tea Partnership	Certification of Internationally recognised social and environmental standards
Rainforest Alliance	Certified conformity to principles of sustainable farming addressing Biodiversity conservation, improved livelihoods and human well-being, natural resource conservation and effective planning and farm management systems
FSC Certification for Rubber and Oil Palm Estates	Awarded by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices after a thorough evaluation of all three pillars of sustainability namely environmentally friendly, socially acceptable and economically viable

CORPORATE GOVERNANCE

Our governance framework goes beyond meeting the minimum regulatory requirements by complying with voluntary codes such as the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

CORPORATE GOVERNANCE

It is the Board's responsibility to provide guidance, leadership and manage risks by setting up a sound governance framework that achieves an equitable balance between expectations of our internal and external stakeholders. Our governance framework goes beyond meeting the minimum regulatory requirements by complying with voluntary codes such as the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. The challenging economic landscape necessitates an even more vigilant approach, ensuring that risks and impacts are managed balancing multiple factors.



AN EFFECTIVE BOARD

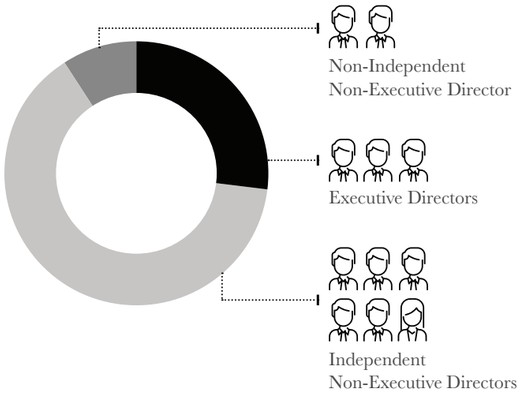
Our Board comprises three Executive Directors, six Independent Non-Executive Directors and two Non-Independent Non-Executive Directors, one of whom is the Chairman. Their profiles are given on pages 19 to 21. Collective skills and experience encompass fields of engineering, banking, law, accountancy and entrepreneurship facilitating relevant perspectives in deliberations of the Board.

As per the Listing Rules of the Colombo Stock Exchange, Non-Executive Directors submit an annual declaration of their independence or non-independence. Our Independent Non-Executive Directors do not participate in day-to day management nor have any business relationships with the Company. This enables them to be unbiased when discharging their duties in the best interest of the Company.

Ms N R Thambiayah, Mr. L N de S Wijeyeratne and Mr. N J Weerakoon qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.

The period of service of Mr. G A R D Prasanna and Mr. R N Asirwatham exceeds nine years. Mr. R N Asirwatham and Mr. S H Amarasekera serve as Independent Directors of Vallibel One PLC, which has a significant shareholding in the Company. However, the Board is of the view that the period of service of Mr. G A R D Prasanna and Mr. R N Asirwatham and the directorships of Mr. S H Amarasekera and Mr. R N Asirwatham do not compromise their independence and objectivity in discharging their functions as Directors and therefore based on declarations submitted by the said Directors, has determined that those Directors shall nevertheless be "independent" as per the Listing Rules.

CORPORATE GOVERNANCE



ROLE OF THE CHAIRMAN AND MANAGING DIRECTOR

Our Company acknowledges and respects the clear distinction between the roles and responsibilities of the Chairman and the Managing Director. This ensures a balance of power and no one person has unconstrained power in decision making and implementation.

APPOINTMENT OF DIRECTORS

The Nomination Committee recommends the appointment of Directors to the Board. Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the Director, containing the nature of his/her expertise in relevant functional areas, other directorships held, memberships on Board Committees and the nature of the appointment.

RE-ELECTION OF DIRECTORS

Directors, except those who are over 70 years of age are appointed by the Board and are eligible for re-election at the next Annual General Meeting by the shareholders.

BOARD COMMITTEES

Three Board Committees are established by the Board to assist with discharging its duties and responsibilities effectively and efficiently. Namely the Audit Committee, Related Party Transactions Review Committee and Remuneration Committee. The committees are provided with all essential resources to empower them to undertake their duties in an effective manner. The Company Secretaries act as the Secretary to the committees, and the recorded minutes of each committee meeting are circulated to all directors on completion.

The composition and role of each Committee is summarised below.

Board Committee & Composition	Mandate	Further Information
Audit Committee		
Comprises of three independent directors all of them are Chartered Accountants Mr. L N de S Wijeyeratne - Chairman Mr. R N Asirwatham Mr. N.J Weerakoon	Monitor and supervise management's financial reporting process in ensuring: 1. The integrity of Financial Statements in accordance with Sri Lanka Financial Reporting Standards. 2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. 3. The External Auditor's independence and performance. 4. Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.	Refer page 103 for Audit Committee Report
Remuneration Committee		
Comprises of three Independent Directors Mr. S H Amarasekera - Chairman Mr. R N Asirwatham Mr. L N de S Wijeyeratne	The Committee focuses on and is responsible for ensuring that the total remuneration package is competitive to attract the best talent for the benefit of the Company. Recommend the remuneration payable to the Executive Directors and Senior Management.	Refer page 105 for Remuneration Committee Report
Related Party Transaction Review Committee		
Comprises of three Non-Executive Independent Directors. Mr. R N Asirwatham - Chairman Mr. A M Weerasinghe* Mr. L N de S Wijeyeratne Mr. N J Weerakoon** * Ceased w.e.f. 20.02.2020 ** Appointed w.e.f. 20.02.2020	To ensure on behalf of the Board, that all Related Party Transactions of Royal Ceramics Lanka PLC and its subsidiaries are consistent with the Code of Best Practice on Related Party Transactions issued by the Security and Exchange Commission and the listing rules issued by Colombo Stock Exchange. 1. Ensure that the Company complies with the rules set out in the Listing Rules 2. Subject to the exceptions given under the Listing Rules review, in advance all proposed related party transactions 3. Perform other activities related to the Charter as requested by the Board 4. Have meetings every fiscal quarter and report to the Board on the Committee's activities 5. Share information with the Audit Committee as necessary and as appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions 6. Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee	Refer page 106 for Related Party Transactions Review Committee Report

CORPORATE GOVERNANCE

MEETINGS AND ATTENDANCE

Meetings for the year end 31.03.2020 and the attendance at the same given below.

Name	Directorship Status	Attendance			
		Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Dhammika Perera	Chairman	6	N/A	N/A	N/A
A M Weerasinghe	Deputy Chairman	11	N/A	N/A	4
M Y A Perera	Managing Director	11	N/A	N/A	N/A
T G Thoradeniya	Executive Director	11	N/A	N/A	N/A
G A R D Prasanna	Independent Non-Executive Director	9	N/A	N/A	N/A
R N Asirwatham	Independent Non-Executive Director	6	4	1	4
S H Amarasekera	Independent Non-Executive Director	8	N/A	1	N/A
N R Thambiayah	Independent Non-Executive Director	8	N/A	N/A	N/A
L N De Wijeyeratne	Independent Non-Executive Director	9	5	1	4
N J Weerakoon (Appointed w.e.f 17.05.2019)	Independent Non-Executive Director	10	5	N/A	N/A
S M Liyanage (Appointed w.e.f 21.02.2020)	Non-Executive Director	1	N/A	N/A	N/A
Total No. of Meetings		11	5	1	4

SHAREHOLDERS

At the end of the financial year 2019/20 Royal Ceramics PLC had 11,516 shareholders with our parent Company, Vallibel One PLC holding 55.96%.

We encourage effective communication with our shareholders through multiple avenues. These channels include the Annual General Meeting, Annual Report, Interim Financial Statements, Press Releases and announcements to the Colombo Stock Exchange. The Board is committed to providing the shareholders with fair disclosure, and gives precedence to integrity, relevance and timeliness of the information communicated.

COMPLIANCE

Refer page 06 for 'About this Report' for the list of mandatory and voluntary frameworks we comply with.

Given below is the status of compliance with the CSE Listing Rules – Section 7-10 and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A. Directors			
A.1	The Board		
A.1.1	Board Meetings	Held every month and special meetings held as and when necessary	✓
A1.2	Role of the Board	• Focusing on developing strategies for business development and to provide guidance to the management. • Sets the budget for the financial year and reviews progress at the monthly meetings • Approving of major capital expenditure • Ensures that effective internal control and risk management framework is in place	✓
A.1.3	Compliance with laws and access to independent professional advice	The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company. Further the Board is always mindful of the new laws/ regulations which are implemented and ensures compliance with same.	✓
A1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	All directors have access to the advice of the Company Secretaries.	✓
A1.5	Independent judgment of the Directors	The Board comprises mainly of independent professionals who in turn exercise independent judgement in discharging their duties	✓
A1.6	Dedicating adequate time and effort	Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers circulated one week prior to the meetings, giving adequate time to prepare	✓
A1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept	✓
A1.8	Training of Directors	At the time a Director is appointed a letter confirming such appointment together with details on the duties of a Director in terms of the Act and Listing Rules are forwarded to them. All Directors have considerable experience in the industry. Relevant local and foreign training opportunities are made available.	✓

CORPORATE GOVERNANCE

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A.2	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director's Message on pages 14 to 18.	✓
A.3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/concerns on matters.	✓
A.4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	✓
A.5	Board Balance		
A.5.1/A5.2/A.5.3 & A.5.5 7.10.1(a) 7.10.2(a) 7.10.2(a)	Presence of Non-Executive Directors Independence of Non-Executive Directors	Please refer page 94.	✓
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence are obtained by the secretaries annually.	✓
A.5.6	Alternate Director to a Non-Executive Director	No alternate directorships	✓
A.5.7/5.8	Senior Independent Director		Working towards compliance
A.5.9	Chairman meeting with the Non-Executive Directors	When required the Executive Directors and members of staff are excused from meetings	✓
A.5.10	Recording concerns	Concerns of Directors are recorded in minutes even in the case of disagreements.	✓
A.6	Supply of Information		
A.6.1	Obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least one week before the meeting.	✓
A.6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are provided one week prior to the Board meeting.	✓
A.7	Appointments to the Board		
A.7.1 / A.7.2	Nomination Committee and the assessment of composition of the Board	Nominations Committee of Vallibel One PLC serves as the Nominations Committee of Royal Ceramics Lanka PLC.	✓
A.7.3 7.10.3(d)	Disclosure of Appointment of a New Director	Disclosures pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non Executive / Executive Director and the membership in sub-committees.	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A.8	Re-election		
A.8.1 /A.8.2	Re-election	At each AGM one Non-Executive Director presents himself/ herself for re-election. Newly appointed directors are re-elected at the 1st AGM following their appointment.	✓
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director.	✓
A.9	Appraisal of Board Performance		
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees		Working towards compliance
A.10	Disclosure of Information in Respect of Directors		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 19 to 21.	✓
A.11	Appraisal of Chief Executive Officer		
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	Appraisal of the MD/Director – Marketing and Business Development are done when considering increments/bonuses to be paid. Achievement of the budget is a key factor that is considered.	✓
B. Directors' Remuneration			
B.1	Remuneration Procedure		
B.1.1	Set up a Remuneration Committee with agreed terms of reference	Refer Directors' Remuneration on page 215 and 216. The Report of the Remuneration Committee on page 105 gives the composition of the Committee and a description of its activities during the year.	✓
B.1.2 7.10.5(a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors	✓
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 105.	✓
B.1.4 7.10.5(b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman	✓
B.1.5	Consultation with the Chairman and the Managing Director	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	✓

CORPORATE GOVERNANCE

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
B.2	The Level and Makeup of Remuneration		
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors while remaining within the industry standards	✓
B.2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.	✓
B.2.6	Executive Share Options		NA
B.2.7	Designing schemes of performance based remuneration	Refer the Report of the Remuneration Committee on page 105.	✓
B.2.8/B.2.9	Early Termination of Directors	There in no compensation for early termination of Non-Executive Directors.	✓
B.3	Disclosure of Remuneration		
B.3.1 7.10.5.(c)	Disclosure of Remuneration	Report of the Remuneration Committee on page 105. Notes 34.2.1 in the Financial Statements on page 215.	✓
C. Relations with Shareholders			
C.1	Constructive use of AGM and Conduct of Meetings		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders fifteen days prior to the meeting as required by the Articles of Association and Companies Act.	✓
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are passed for each matter taken up at the AGM	✓
C.1.3	Accurate recording and counting valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	✓
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	✓
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
C.2	Communications with shareholders		
C.2.1 to C.2.7	Communications with Shareholders	The AGM and EGM (if any) are used as the method for communicating with the shareholders. All quarterly and annual financial information and other important matters as required for by the Act and the Listing Rules are shared by way of disclosures through the CSE. The Company Secretaries/Registrars are the main contact people for the shareholders. All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/Subcommittee meetings. All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/ concerns.	✓
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major Transactions	There were no matters which were identified as Major Transactions during the year as such no disclosure has been made in this regard. In the event there are major transactions, relevant disclosures and relevant shareholder approvals are obtained.	✓
D. Accountability & Audit			
D.1.1	Annual Report	Refer Accountability & Audit on pages 110 to 113.	✓
D.1.2	Interim and price sensitive reports to public and regulators	In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the; • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. The Annual and Interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.	✓
D.1.3	CEO/CFO Declaration	The Statement of Financial Position contains a declaration by the Chairman & Managing Director and the Head of Finance & Treasury	✓
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on page 94.	✓

CORPORATE GOVERNANCE

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.1.5	Statements on responsibilities for preparation of Financial Statements and internal control	Refer the following: • Statement of Board responsibility for preparation of Financial Statements – page 115 • Statement from Auditors' on their reporting responsibilities – page 112 • Statement on Internal Control – page 112	✓
D.1.6	Management discussion & analysis	Refer pages from 38 to 82 which provides a comprehensive management discussion and analysis of the Group's operations	✓
D.1.7	Serious loss of capital	Shareholders will be informed of a serious loss of capital in the event it happens.	✓
D.1.8	Related Party Transactions	Refer the following disclosures on Related Party Transactions: • Relates Party Transactions Review Committee Report on page 106 • Annual Report of the Board of Directors on page 95 to 97 • Note 34 to the Financial Statements	✓
D.2	Risk Management & Internal Control		
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements: • Risk Report on pages 32 to 35 • Directors' Statement on Internal Controls on page 102 • Audit Committee Report on page 103	✓
D.2.2	Confirm assessment of the principal risks of the company		✓
D.2.3	Internal Audit		✓
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures		✓
D.2.5	Compliance with Directors' responsibilities as set out by the Code		✓
D.3	Audit Committee		
D.3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive directors of which at least two must be independent	Audit Committee comprises all Independent Directors. Refer Audit Committee on page 103.	✓
D.3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarised in the Audit Committee Report on page 103.	✓
D.3.3 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on page 103.	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.4	Related Party Transactions Review Committee		
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer Report on the Related Party Transactions Review Committee on page 106	✓
D.5	Code of Business Conduct & Ethics		
D.5.1	Board declaration for compliance with Code	Refer Code of Ethics on pages 87 to 93.	✓
D.5.2	Price sensitive information	Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.	
D.5.3	Monitor Shares purchase by Directors/ KMPs	Refer the Related Party Transactions Committee Report on page 106.	✓
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 15 and The Board of Directors' Statement on Internal Controls on page 32 to 35.	✓
D.6	Corporate Governance disclosures	The Corporate Governance Report on pages 83 to 93 together with its Annexes comply with this requirement.	✓
E. Institutional Investors			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	✓
E.2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	✓
F. Other Investors			
F1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly Financial Statements and announcements to the CSE to assist investors with their investment and divestment decision.	✓
F.2.	Encouraging shareholder participation	Refer Shareholder Relations on page 240 and 241	✓
G. Internet of things and cybersecurity			
G	Internet of things and cybersecurity	Refer Internet of Things & Cybersecurity on page 35	✓
H. Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from pages 44 to 93.	✓

ANNUAL REPORT OF THE BOARD OF DIRECTORS
ON THE AFFAIRS OF THE COMPANY

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Audited Financial Statements of the Group for the year ended 31st March 2020.

GENERAL

Royal Ceramics Lanka PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 as a private limited company on 29th August 1990, converted to a public limited liability company on 6th December 1991, listed on the Colombo Stock Exchange on 3rd May 1994 and re-registered as per the Companies Act, No.7 of 2007 on 13th March 2008 under Registration No PQ 125.

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The principal activities of the Company are the holding of investments and the manufacture and sale of wall tiles and floor tiles.

The principal activities of subsidiary Companies are the manufacture and sale of walltiles and floor tiles, sanitaryware, investments and management of subsidiary companies, cultivation and processing of tea and rubber, mining, processing and sale of raw materials for tiles and ceramic products, manufacture and sale of tile grout and mortar, manufacturing and trading of aluminium extrusions, manufacture and marketing of corrugated cartons, property holding and wholesaling and retailing of walltiles and floor tiles and bathware in Australia.

Other than for the amalgamation of Royal Porcelain (Private) Limited with Royal Ceramics Lanka PLC, in terms of Section 241(l) of the Companies Act No; 07 of 2007 which was completed on 01st November 2019, there have been no significant changes in the nature of activities of the Company and its subsidiaries during the financial year under review

A review of the business and performance of the Group during the year, with comments on financial results, future strategies and prospects are contained in the Chairman's Message, Managing Director's Message, Business Line Reviews and Capital reports on pages 14, 16, 38 to 59 which form an integral part of this Report.

This Report together with the Financial Statements, reflect the state of affairs of the Company.

FINANCIAL STATEMENTS`

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board are given on pages 114 to 236.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 110 to 113.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 122 to 236 except as stated in Note 2.1.2 to the Financial Statements there were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 19 to 21.

EXECUTIVE DIRECTORS

Mr. A M Weerasinghe - Deputy Chairman
Mr. M Y A Perera - Managing Director
Mr. T G Thoradeniya - Director - Marketing and Business Development

NON - EXECUTIVE DIRECTORS

Mr. Dhammika Perera* - Chairman
Mr. S M Liyanage - Director

INDEPENDENT NON - EXECUTIVE DIRECTORS

Mr. G A R D Prasanna - Director
Mr. R N Asirwatham - Director
Mr. S H Amarasekera - Director
Ms. N R Thambiayah - Director
Mr. L N de S Wijeyeratne - Director
Mr. N J Weerakoon - Director

* Alternate Director - Mr. T G Thoradeniya
(This appointment was ceased w.e.f. 29 June 2020).

Ms. N R Thambiayah retires by rotation at the Annual General Meeting in terms of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the appointment of Mr. R N Asirwatham who is 77 years of age and the re-appointment of Mr. L N de S Wijeyeratne who is 70 years of age, as Directors of the Company; and accordingly resolutions will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the said appointment/ re-appointment.

Mr. S M Liyanage who was appointed to the Board on 21st February 2020 shall retire in terms of the Articles of Association of the Company and being eligible is recommended by the Directors for election.

Directors of subsidiary companies are given in Annexure A of this report.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 34 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the related entities of directors referred to herein. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2020
Royal Porcelain (Private) Limited	A M Weerasinghe	Director	A sum of Rs. 408,668,595/- was received as service charges	-
	T G Thoradeniya	Director	A sum of Rs. 1,720,049,451/- was received as short term funds	
	Sameera Liyanage	Director	Materials worth Rs. 27,494,407/- were purchased	
	G A R D Prasanna	Director	Materials worth Rs. 3,104,029/- were sold	
	R N Asirwatham	Director	A sum of Rs. 412,403,934/- was received for reimbursement of expenses	
	Aravinda Perera	Director	A sum of Rs. 211,760,530/- was paid as interest expense	
			A sum of Rs. 2,025,232/- was received as rent income	
Rocell Bathware Limited	A M Weerasinghe	Chairman	Materials worth Rs. 598,612/- were purchased	(617,377,008)
	T G Thoradeniya	Director	Materials worth Rs. 1,013,193/- were sold	
	G A R D Prasanna	Director	A sum of Rs. 486,405,057/- was received for reimbursement of expenses	
	R N Asirwatham	Director	A sum of Rs. 68,522,844/- was received as short term funds	
	Aravinda Perera	Director	A sum of Rs. 296,645,126/- was received as service charge	
			A sum of Rs. 28,076,660/- was paid as interest expenses	
			A sum of Rs. 1,159,314/- was paid as rent expenses	

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2020
Royal Ceramics Distributors (Private) Ltd	A M Weerasinghe T G Thoradeniya G A R D Prasanna	Director Director Director	A sum of Rs. 170,617/- was received for reimbursement of expenses	1,683,115
Ever Paint & Chemical Industries (Private) Ltd	A M Weerasinghe	Chairman	Materials worth Rs. 601,534/- were purchased A sum of Rs. 1,176,320/- was received for reimbursement of expenses	406,280,155
Rocell Pty Ltd.	T G Thoradeniya	Director	Tiles worth Rs. 7,442,976/- were sold. A sum of Rs. 314,658/- was received for reimbursement of expenses	29,353,483
Lanka Ceramic PLC	A M Weerasinghe T G Thoradeniya S M Liyanage	Chairman Director Director	Materials worth Rs. 50,342/- were purchased A sum of Rs. 35,778,878/- were received for reimbursement of expenses	(777,745)
Lanka Tiles PLC	Dhammika Perera A M Weerasinghe T G Thoradeniya G A R D Prasanna S M Liyanage	Chairman Deputy Chairman Director Director Director	Materials worth Rs. 2,300,423/- goods were purchased A sum of Rs. 11,386,499/- was received as technical fee Tiles worth Rs. 176,042/- were sold A sum of Rs. 47,367,034/- was received for reimbursement of expenses	13,535,909
Lanka Walltiles PLC	Dhammika Perera A M Weerasinghe T G Thoradeniya S M Liyanage	Chairman Deputy Chairman Director Director	Tiles worth Rs. 3,194,945/- were sold A sum of Rs. 73,457/- was received as sales commission A sum of Rs. 3,151,296/- was received for technical fee A sum of Rs. 39,424,366/- was received for reimbursement of expenses	11,218,787
Uni-Dil Packaging Limited	T G Thoradeniya S M Liyanage	Director Director	Goods worth Rs. 260,653/- were purchased Tiles worth Rs. 320,595/- were sold	47,455,403
Swisstek Ceylon PLC	S H Amarasekera A M Weerasinghe	Chairman Director	Goods worth Rs. 92,897,326/- were purchased A sum of Rs. 6,421,406/- was paid as sales commission A sum of Rs. 34,074,480/- was received for reimbursement of expenses A sum of Rs. 4,463,265/- was paid as rent expenses	(12,846,643)
Swisstek Aluminum Limited	S H Amarasekera A M Weerasinghe T G Thoradeniya S M Liyanage	Chairman Director Director Director	A sum of Rs. 86,400,842/- was received for reimbursement of expenses Goods worth Rs. 2,126,841/- were purchased	(1,210,071)
Singer Sri Lanka PLC	Dhammika Perera	Co-Chairman	Goods worth Rs. 4,429,160/- were sold Goods worth Rs. 13,380,152/- were purchased	-
Hayleys Aventura (Private) Limited	Aravinda Perera	Director	Goods worth Rs. 5,724,281/- were purchased	
Haycarb PLC	Dhammika Perera	Director	Goods worth Rs. 9,804/- were sold	-
Pan Asia Banking Corporation PLC	G A R D Prasanna Aravinda Perera	Chairman Director	Maintaining the current account balance	23,888,254
The Kingsbury PLC	Dhammika Perera L N de S Wijeyeratne	Co-Chairman Director	Goods worth Rs. 4,561,165/- were sold A sum of Rs. 2,609,000/- was paid for services obtained	-
Hayleys PLC	Dhammika Perera Aravinda Perera	Co-Chairman Director	Goods worth Rs. 3,570/- were sold	-
Delmege Forsyth Co. Ltd	G A R D Prasanna	Director	Goods worth Rs. 2,797,125/- were purchased Goods worth Rs. 4,321,097/- were sold	-
Hayleys Fabric PLC	Dhammika Perera	Director	Goods worth Rs. 455,892/- were sold	-
Grip Delmege (Pvt) Ltd		Affiliate Company	Goods worth Rs. 12,775/- were sold Goods worth Rs. 9,626,288/- were purchased	
Aitken Spence Travels (Pvt) Ltd	R N Asirwatham	Director	A sum of Rs. 562,500/- was received as dividends	
Vallibel One PLC	Dhammika Perera S H Amarasekera	Chairman Director	A sum of Rs. 248,010,400/- was paid as dividends A sum of Rs. 35,706,853/- was paid as technical fee	
L B Finance PLC		Associated Company	A sum of Rs. 372,791,754/- was received as dividends	

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

INTERESTS REGISTER

The Directors' Interest register is maintained by the Company and relevant disclosures are made in this report.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under key management personnel compensation in Note 34.2 to the Financial Statements on page 215 and 216.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 102.

AUDITORS

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit/consultancy services. They do not have any interest in the Company other than that of Auditor and provider of other non-audit/consultancy services.

A total amount of Rs. 6,189,400 is payable by the Company to the Auditors for the year under review comprising Rs. 1,637,000 as audit fees and Rs. 4,552,400 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 15 June 2020 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Details of payments to Auditors of subsidiary companies on account of audit fees and for permitted non audit services are set out in Note 25 to the Financial Statements on page 201.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2020 was Rs. 1,368,673,373/- represented by 110,789,384 Ordinary Shares. There were no changes in the Stated Capital of the Company during the year.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2020 and 31st March 2019 are as follows.

	Shareholding as at 31.03.2020	Shareholding as at 31.03.2019
Mr. Dhammika Perera*	200,772	200,772
Mr. A M Weerasinghe	862,401	812,401
Mr. M Y A Perera	220	220
Mr. T G Thoradeniya	185,680	185,680
Mr. G A R D Prasanna	5,000	5,000
Mr. R N Asirwatham	-	-
Mr. S H Amarasekera	-	-
Ms. N R Thambiayah	-	-
Mr. L N de S Wijeyeratne	-	-
Mr. N J Weerakoon	-	-
Mr. S M Liyanage (Appointed w e f 21-02-2020)	-	-

* Mr Dhammika Perera is the major shareholder of Vallibel One PLC, which holds 62,002,600 shares constituting 55.964% of the shares representing the stated capital of the Company.

SHAREHOLDERS

There were 11,516 shareholders registered as at 31st March 2020 (10,945 shareholders as at 31st March 2019).

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 237, 238, 240, and 241 under share information and the ten year summary of the Company.

EMPLOYMENT POLICY

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31st March 2020 1,725 persons were in employment (1,302 persons as at 31st March 2019).

RESERVES

The reserves of the Company with the movements during the year are given in Note 15to the Financial Statements on page 175.

LAND HOLDINGS

The Company's land holdings referred to in Note 03 to the Financial Statements comprise the following:

Location	No of Buildings	Extent (Perches)	Market Value As at 31.03.2020
Kottawa	3	225	343,437,500
Eheliyagoda	28	8,075	454,203,000
Meegoda	3	471	120,187,000
Nawala	1	25	174,300,000
Naththandiya	0	1,600	30,000,000
Kalutara	0	768	11,986,000
Seeduwa	1	53	131,250,000
Narahenpita	1	17	119,140,000
Colpetty	1	20	300,000,000
Panadura	1	19	65,870,000
Dehiwala	1	15	103,810,000
Narahenpita	0	45	291,440,000
Horana	25	2,310	144,375,625
	65	13,656	2,289,999,125

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Notes 03 to the Financial Statements on page 145 and 161

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2020 are given in Notes 05 and 13 to the Financial Statements on pages 163 and 174.

DONATIONS

The Company and the Group has made monetary donation of Rs. 2.5Mn during the year under review.

DIVIDENDS

No dividend was paid for the current financial year.

RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 32 to 35.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

CONTINGENT LIABILITIES

Except as disclosed in Note 30 to the Financial Statements on page 210 there were no material contingent liabilities as at the Reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 32 to the Financial Statements on page 212 there are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, management and employees.

The Corporate Governance Statement on pages 83 to 93 explains the measures adopted by the Company during the year.

BOARD SUB-COMMITTEES

An Audit Committee, Remuneration Committee and a Related Party Transactions Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees is as follows.

AUDIT COMMITTEE

Mr. L N de S Wijeyeratne - Chairman
Mr. S H Amarasekera*
Mr. R N Asirwatham
Mr. N J Weerakoon**

*resigned from the Committee w.e.f. 27.05.2019
**appointed to the Committee w.e.f 27.05.2019

REMUNERATION COMMITTEE

Mr. S H Amarasekera - Chairman
Mr R N Asirwatham
Mr. L N de S Wijeyeratne

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. R N Asirwatham - Chairman
Mr. L N de S Wijeyeratne
Mr. A M Weerasinghe*
Mr. N J Weerakoon**

*ceased w.e.f. 20.02.2020
**appointed w.e.f 20.02.2020

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2020.

NOMINATION COMMITTEE

In line with the best practices on Corporate Governance, the Board appointed the Nomination Committee of Vallibel One PLC as the Nomination Committee of the Company with effect from 27th January 2020. The composition of the said Committee is as follows:

Mr Harsha Amarasekera - Chairman
Mr Dhammika Perera
Mr. J A S S Adhihetty

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 79 of this Report.

ANNUAL GENERAL MEETING

The Notice of the Thirtieth (30th) Annual General Meeting appears on page 245.

This Annual Report is signed for and on behalf of the Board of Directors by

Dhammika Perera
Chairman

M Y A Perera
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

02 July 2020

ANNEXURE A TO THE ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Directors of subsidiary Companies as at 31st March 2020

Rocell Bathware Limited
Mr. A M Weerasinghe
Mr. M Y A Perera
Mr. T G Thoradeniya
Mr. G A R D Prasanna
Mr. R N Asirwatham
Mr. D J Silva

Royal Ceramics Distributors (Pvt) Limited
Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. G A R D Prasanna
Mr. K D H Perera

Rocell Ceramics Limited
Mr. A M Weerasinghe
Mr. T G Thoradeniya

Ever Paint and Chemical Industries (Private) Limited
Mr. A M Weerasinghe
Mr. H Somashantha
Mr. M W R N Somaratna
Mr. J K A Sirinatha
Mr. D B Gamalath

Lanka Ceramic PLC
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms A M L Page
Mr. D J Silva
Mr. J D N Kekulawala
Mr. S M Liyanage (appointed w.e.f.21.02.2020)

Lanka Walltiles PLC
Mr. Dhammika Perera
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. M W R N Somaratne
Mr. J D N Kekulawala
Mr. S M Liyanage (appointed w.e.f.21.02.2020)

Lanka Tiles PLC
Mr. Dhammika Perera
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. J A N R Adhihetty
Mr. G A R D Prasanna (Alternate Director to Mr Dhammika Perera)
Mr. S M Liyanage (appointed w.e.f. 21.02.2020)

Swisstek (Ceylon) PLC
Mr. S H Amarasekera
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Mr. J K A Sirinatha
Dr. S Selliah
Mr. A S Mahendra
Mr. K D G Gunaratne
Mr. C U Weerawardena

Swisstek Aluminium Limited
Mr. S H Amarasekera
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. A S Mahendra
Mr. B T T Roche
Mr. C U Weerawardena
Mr. S M Liyanage (appointed w.e.f. 21.02.2020)

Vallibel Plantation Management Limited
Mr. A M Pandithage
Mr. W G R Rajadurai
Mr. T G Thoradeniya
Mr. J M Kariapperuma
Mr. N T Bogahalande

Horana Plantations PLC
Mr. Dhammika Perera
Mr. A M Pandithage
Mr. L J A Fernando
Mr. A N Wickremasinghe
Mr. J M Kariapperuma
Mr. W G R Rajadurai
Mr. S C Ganegoda
Mr. S S Sirisena
Mr. L N de S Wijeyeratne (appointed w.e.f 03.01.2020)
Mr. K D G Gunaratne – (Director/ Alternate Director to Mr. Dhammika Perera)

Uni-Dil Packaging Limited
Mr. Dhammika Perera
Mr. J A P M Jayasekara
Mr. D B Gamalath
Mr. T G Thoradeniya
Mr. Haresh Somashantha
Mr. N T Bogahalande
Mr. J M Kariapperuma
Mr. S Rajapakse
Mr. C U Weerawardena
Mr. S M Liyanage (appointed w.e.f.21.02.2020)

Uni-Dil Packaging Solutions Limited
Mr. J A P M Jayasekara
Mr. D B Gamalath
Mr. S Rajapakse
Mr. C U Weerawardena
Mr. K H D Perera

Beyond Paradise Collection Limited
Mr. M H Jamaldeen
Mr .K D H Perera
Mr. J A P M Jayasekara

L W L Development (Pvt) Ltd
Mr .K D A Perera
Mr. J A P M Jayasekara

L T L Development (Pvt) Ltd
Mr. K D A Perera
Mr. J A P M Jayasekara

Swisstek Development (Pvt) Ltd
Mr. K D A Perera
Mr. J A P M Jayasekara

Rocell Pty Ltd
Mr. T. G. Thoradeniya
Mr. H Y N Perera

Nilano Garments (Pvt) Ltd
Mr. A N Senaviratne
Ms. K A Suraweera
Ms. W S Bopitiya Gamage
Mr. B K G S M Rodrigo
Mr. H Somashantha

Lankatiles Private Limited
Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Mr. Fatheraj Singhvi
Mr. Praveen Kumar Singhvi

STATEMENT OF DIRECTORS RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare the Financial Statements for each financial year, which gives a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the Group have adequate resources to continue in operation and have applied the going concern basis in preparing the Financial Statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board
Royal Ceramics Lanka PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

02 July 2020

REPORT OF THE AUDIT COMMITTEE

COMPOSITION

The Audit Committee comprises three Independent Non-Executive Directors:

- Mr. L N de S Wijeyeratne - Chairman
- Mr. R N Asirwatham
- Mr. S H Amarasekera*
- Mr. N J Weerakoon**

* Ceased to be a member w.e.f 27.05.2019
**Appointed as a member w.e.f 27.05.2019

Secretary: Board Secretary

Regular Invitees: Managing Director, Head of Finance & Treasury, Chief Internal Auditor

MEETINGS

The Audit Committee met five times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 86.

ROLE OF THE AUDIT COMMITTEE

The Committee has a written Terms of Reference, which clearly defines the oversight role and responsibility of the Audit Committee as summarised below:

1. The integrity of Financial Statements in accordance with Sri Lanka Financial Reporting Standards.
2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements.
3. The External Auditor's independence and performance.
4. Review of the adequacy and effectiveness of the company's Internal Control and Risk Management systems, over the financial reporting process.

FINANCIAL REPORTING

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the Management, the annual and the quarterly Financial Statements prior to their issuance, including the extent of compliance with the Sri Lanka Financial Reporting Standards and the Companies Act No. 07 of 2007 Matters of special interest in the current environment and the processes that support certifications of the Financial Statements by the Company's Managing Director and Head of Finance & Treasury were also brought up for discussion.

- The Committee reviewed Financial Statements and notes for the year ended 31st March 2020
- The Committee reviewed the Interim Financial Statements

RISKS AND CONTROLS

During the year, the Committee assessed the major business and control risks and the control environment prevalent in the Company and advised the management on action to be taken in areas where weaknesses were observed. The Committee reviewed reports on losses resulting from frauds and operational failures, and scrutinized the effectiveness of the Company's internal control system already in place and the processes for identification, evaluation, and management of all significant risks.

EXTERNAL AUDIT

The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit.

The Committee reviewed the Management Letter arising from the audit of Annual Financial Statements issued by the External Auditor together with the management responses and recommendations thereto and ensured appropriate follow up action were taken. The Non-Audit Services provided by the External Auditor were also reviewed and the Committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under the guidelines for listed companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka. The Letter of Representation issued to the External Auditor was tabled at the Audit Committee meeting. The re-appointment of the External Auditor, M/s Ernst & Young has been recommended to the Board of Directors and the Committee has also fixed the Auditor's remuneration, subject to approval by the shareholders at the Annual General Meeting.

REPORT OF THE AUDIT COMMITTEE

INTERNAL AUDIT

During the year, the Audit Committee reviewed the performance of the internal audit function, the findings of the audits completed which covered the head-office, showrooms, stores, factories and subsidiary companies with special reference to the internal controls regarding inventory and debtors, and the Department's resource requirements including succession planning. The Internal Audit Plan was also reviewed and approved by the committee and follow up actions were monitored regularly.

REGULATORY COMPLIANCE

The Head of Finance & Treasury has submitted to the Audit Committee, a report on the extent to which the Company was in compliance with mandatory and statutory requirements. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and also ensured the full compliance to the Colombo Stock Exchange Rule No 7.10 on Corporate Governance disclosure requirements, which is given on page 91.

OTHER MATTERS

The Committee reviewed the following additional matters:

- Implementation of the Business Continuity Plan.
- Adequacy of the insurance coverage of the Company.
- Implementation of the Whistleblower Policy.
- Implementation of the Grievance Handling Policy.
- IT related capital expenditure
- Discussions with a leading law firm for the implementation of a system for monitoring of Intellectual Property registration.

L N de S Wijeyeratne
Chairman
Audit Committee

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises three Non-Executive Independent Directors.

Mr. S H Amarasekera – Chairman

Mr. R N Asirwatham

Mr. L N de S Wijeyeratne

POLICY

The remuneration policy of the Company endeavours to attract, motivate, and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company. The remuneration framework of the Company for the Non-Executive Chairman, Managing Director and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment for the short and long term interests of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

SCOPE

The Committee reviews all significant changes in the Corporate sector in determining salary structures and terms and conditions relating to staff at senior Executive level. In this decision making process, necessary information, and recommendations are obtained from the Managing Director. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Managing Director, members of the Corporate Management and senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Managing Director who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

FEES

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 34.2 on page 219.

MEETINGS

The Committee met once during the financial year under review. A report of the decisions approved and recommended to the Board by the Committee has been approved by the Board of Directors.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview.

Mr. S H Amarasekera
Chairman
Remuneration Committee

REPORT OF THE RELATED PARTY **TRANSACTIONS REVIEW COMMITTEE**

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in January 2016 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

PURPOSE OF THE COMMITTEE

The purpose of the RPTRC of the Company is to conduct an independent review approval and oversight of all related party transactions of Royal Ceramics Lanka PLC and to ensure that the Company complies with the rules set out in the Listing Rules. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the Related Party Transaction Policy which contains the Company's Policy governing the review, approval and oversight of related party transactions.

COMPOSITION OF THE COMMITTEE

As at the date of this report, the Committee of Royal Ceramics Lanka PLC consists of three (03) Directors The members of the Committee during the year were:

Mr. R N Asirwatham	- Chairman (Independent Non-Executive Director)
Mr. L N de S Wijeyeratne	- Member (Independent Non-Executive Director)
Mr. A M Weerasinghe*	- Member (Executive Director)
Mr. N J Weerakoon**	- Member (Independent Non- Executive Director)

*ceased to be a Member w.e.f. 24.02.2020
**appointed as a Member w.e.f. 24.02.2020

PW Corporate Secretarial (Pvt) Ltd, the Company Secretaries of the Company functions as the Secretary to the Committee.

The Managing Director and the Head of Finance attend meetings by invitation.

MEETINGS

The Committee held four meetings for the year under review.

CHARTER OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Charter of the Related Party Transaction Review Committee clearly sets out the purpose, membership, authority and the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and efficiently, the Committee has been authorised to:

a) Receive regular reports from the management, and be provided with any information it requests relating to its responsibilities

b) Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions

c) Review and evaluate the terms, conditions, and the advisability of, any related party transaction

d) Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole

e) Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction

f) Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following are key responsibilities have been set out in the Charter for RPTRC;

a) Ensure that the Company complies with the rules set out in the Listing Rules.

b) Subject to the exceptions given in the Listing Rules, review, in advance all proposed related party transactions

c) Perform other activities related to the Charter as requested by the Board

d) Have meetings every fiscal quarter and report to the Board on the Committee's activities

e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions

f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

PROCEDURES FOR REPORTING RPT'S

The Managing Director (MD) is responsible for reporting to the Committee, for its review and approval the information in respect of each related party transaction proposed to be entered into other than the exceptions given in Listing Rules. Moreover, on a quarterly basis, the MD is required to report to the Committee on the approved related party transactions actually entered into by the Company.

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2019/20 and has communicated its comments and observations to the Board. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company. In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 34 to the Financial Statements, on pages 214 to 216 of this Annual Report.

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 100 of this Annual Report.

Mr. R N Asirwatham
Chairman
Related Party Transactions Review Committee

PROGRESS & EFFICIENCY

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FINANCIAL CALENDAR

Interim Dividend 2018/19	May 06,2019
Final Dividend 2018/19	July 17,2019
Interim Report- 1st Quarter 2019/20	August 09,2019
Interim Report- 2nd Quarter 2019/20	November 06,2019
Interim Report- 3rd Quarter 2019/20	February 07,2020
Interim Report- 4th Quarter 2019/20	June 18, 2020
Annual Report 19/20	July 02, 2020
30th Annual General Meeting	July 31, 2020

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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TO THE SHAREHOLDERS OF ROYAL CERAMICS LANKA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Royal Ceramics Lanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Measurement of carrying value of land and buildings Included within Property, Plant and Equipment and Investment Property are land and buildings carried at fair value. As of reporting date, such land and buildings within Property, Plant and Equipment and Investment Property amounted to Rs. 14 Bn & Rs. 1.7 Bn respectively. The fair values of land and buildings were determined mainly using the independent external valuers engaged by the Group. The valuation of land and buildings was considered a key audit matter due to the use of significant judgments and estimates which included the assessment of the impact of the COVID 19 outbreak on such valuations as disclosed in notes 3.17 and 4.1 in the financial statements.	**Our audit procedures included the following;** we evaluated the competence, capability and objectivity of the external valuers engaged by the Group; • we read the external valuers reports and understood the key estimates made and the approach taken by the valuers in determining the valuation of land and buildings; • we engaged our internal specialized resources to assist us in assessing appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuers; and • we have also assessed the adequacy of the disclosures made in notes 3.17 and 4.1 in the financial statements.
Impairment test of goodwill The Group's Statement of Financial Position includes an amount of Rs. 1 Bn relating to goodwill acquired on the business combination of the Lanka Walltiles PLC Group. Goodwill is tested annually for impairment based on the recoverable amount determined using value in use computations (VIU). Such VIU calculations are based on the discounted cash-flow models of each Cash Generating Unit (CGU) to which Goodwill has been allocated. A deficit between the recoverable value and the carrying values of the CGUs including Goodwill would result in an impairment. The VIU calculations are significant to our audit as it involves Management's estimation of future cashflows which is complex and highly judgemental due to considerations relating to expected sales growth, profit margin, working capital cash flows, discount rates and includes the impact assessment of the COVID-19 outbreak as disclosed in note 7 in financial statements.	**Our audit procedures included the following;** • we obtained an understanding of the Management's impairment assessment process; • we engaged our internal specialized resources to assist us in assessing the reasonableness of the significant assumptions and judgements used by the Group, in particular those relating to the forecasted revenue growth, profit margins, working capital cash flows and discount rates of the separate CGUs of the Group; and • we have also assessed the adequacy of the disclosures made in note 7 in the financial statements.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

Other Information included in the 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

Colombo
02 July 2020

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	03	**8,541,630,807**	6,889,483,917	**27,900,894,704**	28,478,012,390
Consumable Biological Assets	03.15	**-**	-	**632,176,945**	585,919,801
Leasehold Rights Over Mining Lands	03.20	**-**	-	**1,619,000**	4,238,000
Investment Property	04	**-**	-	**1,727,301,260**	1,725,249,760
Investments in Subsidiaries	05	**6,623,774,143**	6,606,999,831	**-**	-
Investments in Associates	06	**3,162,937,490**	3,162,937,490	**8,682,748,610**	7,650,193,373
Intangible Assets	07	**148,658,193**	165,899,418	**1,191,489,649**	1,196,305,098
Right of Use Assets	08	**965,786,742**	-	**1,449,706,886**	-
Other Non Financial Assets	09	**41,304,331**	-	**68,589,331**	92,916,707
Deferred Tax Assets	26.3	**-**	-	**-**	846,600
		19,484,091,706	16,825,320,656	**41,654,526,385**	39,733,681,729
Current Assets					
Inventories	10	**4,623,213,017**	1,911,791,552	**16,998,128,109**	14,621,768,301
Trade and Other Receivables	11	**852,509,488**	707,392,197	**4,046,873,354**	4,454,579,867
Other Non Financial Assets	12	**335,512,293**	274,093,065	**1,234,972,257**	1,027,370,995
Contract Assets	11.3	**-**	-	**38,078,779**	58,269,049
Other Financial Assets	13	**74,240,280**	64,758,452	**85,744,130**	132,542,244
Income Tax Recoverable		**-**	36,343,099	**30,332,432**	160,305,534
Cash and Cash Equivalents	21	**404,384,949**	465,342,403	**1,004,625,691**	946,141,805
		6,289,860,027	3,459,720,768	**23,438,754,752**	21,400,977,795
Assets held for sale	41	**-**	-	**52,029,091**	54,409,217
		6,289,860,027	3,459,720,768	**23,490,783,843**	21,455,387,012
Total Assets		**25,773,951,733**	20,285,041,424	**65,145,310,228**	61,189,068,741
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	14	**1,368,673,373**	1,368,673,373	**1,368,673,373**	1,368,673,373
Reserves	15	**1,192,935,268**	830,590,905	**2,973,240,438**	2,933,210,625
Retained Earnings		**12,023,044,309**	7,247,365,071	**20,793,115,022**	18,687,549,225
Equity Attributable to Equity Holders of the Parent		**14,584,652,950**	9,446,629,349	**25,135,028,833**	22,989,433,223
Non Controlling Interest		**-**	-	**9,408,456,748**	9,260,501,093
Total Equity		**14,584,652,950**	9,446,629,349	**34,543,485,581**	32,249,934,316

As at 31st March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	16	**2,931,564,365**	2,959,239,861	**5,940,491,271**	6,660,738,135
Deferred Tax Liabilities	26.4	**678,737,209**	310,262,601	**3,425,266,012**	3,246,571,109
Retirement Benefit Liabilities	17	**432,194,638**	261,491,545	**1,481,788,299**	1,318,885,958
Other Non-Current Liabilities	18	**-**	-	**137,832,181**	140,726,261
		4,042,496,212	3,530,994,007	**10,985,377,763**	11,366,921,463
Current Liabilities					
Trade and Other Payables	19	**1,439,970,156**	4,690,451,474	**3,630,842,078**	3,816,454,544
Other Current Liabilities	20	**193,591,695**	161,136,510	**217,988,881**	318,661,689
Contract Liability	20.1	**578,821,480**	491,392,636	**615,422,156**	588,027,652
Dividend Payable		**34,956,963**	39,412,622	**73,961,183**	227,395,360
Income Tax Liabilities		**111,120,589**	-	**177,878,786**	399,167,029
Interest Bearing Loans & Borrowings	16	**4,788,341,688**	1,925,024,826	**14,892,186,798**	12,214,283,624
		7,146,802,571	7,307,418,068	**19,608,279,882**	17,563,989,898
Liabilities directly associated with the assets held for sale	41	**-**	-	**8,167,002**	8,223,064
		7,146,802,571	7,307,418,068	**19,616,446,884**	17,572,212,962
Total Equity and Liabilities		**25,773,951,733**	20,285,041,424	**65,145,310,228**	61,189,068,741

I certify that these financial statements are in accordance with the requirements of the Companies Act No. 7 of 2007.

H. Somashantha
Head of Finance & Treasury

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by,

K D D Perera
Chairman

Aravinda Perera
Managing Director

The Accounting Policies and Notes on pages 122 through 236 form an integral part of these financial statements.

02 July 2020
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Revenue from Contract with Customers	22	**6,445,391,264**	3,794,578,371	**31,553,599,995**	31,499,457,371
Cost of Sales		**(3,190,581,548)**	(2,035,577,804)	**(21,072,864,111)**	(21,203,789,929)
Gross Profit		**3,254,809,716**	1,759,000,567	**10,480,735,884**	10,295,667,442
Other Operating Income	23	**1,016,943,520**	1,039,703,440	**163,319,858**	694,812,431
Distribution Expenses		**(1,820,150,542)**	(1,465,530,268)	**(4,421,018,595)**	(4,500,515,051)
Administrative Expenses		**(522,865,298)**	(483,968,806)	**(1,697,321,911)**	(1,764,983,563)
Other Operating Expenses	23.1	**(224,957,670)**	(33,268,246)	**(76,583,223)**	(73,863,347)
Finance Cost	24.1	**(952,010,995)**	(795,935,834)	**(2,286,195,313)**	(1,907,268,657)
Finance Income	24.2	**17,887,352**	12,939,522	**29,807,753**	37,049,956
Share of Associate Companies Profit		**-**	-	**1,372,972,899**	1,304,108,775
Profit Before Tax Continuing Operations	25	**769,656,083**	32,940,375	**3,565,717,352**	4,085,007,986
Tax (Expense)/Reversal	26	**(122,965,938)**	24,778,613	**(802,715,186)**	(991,157,232)
Net Profit After Tax from Continuing Operations		**646,690,145**	57,718,988	**2,763,002,166**	3,093,850,754
Discontinued Operations					
Loss after tax from discontinued operations	41	**-**	-	**(1,663,196)**	(10,924,203)
Profit for the Year		**646,690,145**	57,718,988	**2,761,338,970**	3,082,926,551
Attributable to:					
Equity Holders of the Parent		**646,690,145**	57,718,988	**2,585,768,447**	2,631,549,017
Non-Controlling Interest		**-**	-	**175,570,523**	451,377,534
		646,690,145	57,718,988	**2,761,338,970**	3,082,926,551
Basic Earnings Per Share	27	**5.84**	0.52	**23.34**	23.75
Basic Earnings Per Share from Continuing Operations	27	**5.84**	0.52	**23.35**	23.85
Dividend per share	28	**4.00**	2.00	**4.00**	2.00

The Accounting Policies and Notes on pages 122 through 236 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Net Profit for the Year		**646,690,145**	57,718,988	**2,761,338,970**	3,082,926,551
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange Differences on translation of foreign operations		**-**	-	**(1,318,948)**	5,447,388
Exchange Differences on translation of foreign operations of Associate Company		**-**	-	**25,195,367**	4,067,022
Net (loss)/gain on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income of Associate company	15.3	**-**	-	**(7,972,381)**	(8,322,958)
Net Other Comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods		**-**	-	**15,904,038**	1,191,452
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building		**-**	-	**-**	290,110,400
Revaluation of Land of Associate company		**-**	-	**23,882,926**	142,219,183
Acturial (Loss)/Gain on Retirement Benefit Liability		**(9,442,378)**	12,474,310	**(42,370,795)**	(51,206,451)
Acturial (Loss)/Gain on Retirement Benefit Liability of Associate Company		**-**	-	**(8,731,819)**	4,066,208
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		**(9,442,378)**	12,474,310	**(27,219,688)**	385,189,340
Other Comprehensive Income/(Loss) for the Year, net of tax		**(9,442,378)**	12,474,310	**(11,315,650)**	386,380,792
Total Comprehensive Income for the Year, net of tax		**637,247,767**	70,193,298	**2,750,023,320**	3,469,307,343
Attributable to					
Equity Holders of the Parent				**2,592,457,155**	2,932,165,503
Non-Controlling Interest				**157,566,165**	537,141,840
				2,750,023,320	3,469,307,343

The Accounting Policies and Notes on pages 122 through 236 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY- COMPANY

For the year ended 31st March	Note	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2018		1,368,673,373	830,590,905	7,466,545,263	9,665,809,541
IFRIC 23 First time adoption	42			(74,880,981)	(74,880,981)
Restated Opening Balance as at 1 April 2018		1,368,673,373	830,590,905	7,391,664,282	9,590,928,560
Net Profit for the Year		-	-	57,718,988	57,718,988
Other Comprehensive Income / (Loss)		-	-	12,474,310	12,474,310
Total Comprehensive Income		-	-	70,193,298	70,193,298
Final Dividends - 2017/2018		-	-	(221,578,768)	(221,578,768)
Dividend Write back		-	-	7,086,259	7,086,259
Balance as at 31st March 2019		1,368,673,373	830,590,905	7,247,365,071	9,446,629,349
Effect of Amalgamation	40	-	362,344,363	4,581,589,007	4,943,933,370
Net Profit for the Year		-	-	646,690,145	646,690,145
Other Comprehensive Income / (Loss)		-	-	(9,442,378)	(9,442,378)
Total Comprehensive Income		-	-	637,247,767	637,247,767
Dividends - 2018/2019		-	-	(443,157,536)	(443,157,536)
Balance as at 31st March 2020		1,368,673,373	1,192,935,268	12,023,044,309	14,584,652,950

The Accounting Policies and Notes on pages 122 through 236 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - CONSOLIDATED

For the year ended 31st March	Attributable to owners of the parent								
	Stated Capital Rs.	Revaluation Reserve Rs.	Available for sale Reserve Rs.	Fair Value Reserve Rs.	Foreign Currency Translation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-Controlling Interest Rs.	Total Equity Rs.
Balance as at 31st March 2018	1,368,673,373	2,638,434,432	5,967,555	-	8,113,059	16,291,401,821	20,312,590,240	8,894,286,957	29,206,877,197
Impact of Adoption of SLFRS 09	-	-	-	-	-	(78,129,828)	(78,129,828)	-	(78,129,828)
Transfer of Available for Sale Reserve built on Impairment of Financial Investments - Available for Sale	-	-	(17,377,185)	-	-	17,377,185	-	-	-
Transfer of Available for Sale Reserve to Fair Value Reserve	-	-	11,409,630	(11,409,630)	-		-	-	-
Restated Opening Balance as at 1 April 2018	1,368,673,373	2,638,434,432	-	(11,409,630)	8,113,059	16,230,649,178	20,234,460,412	8,894,286,957	29,128,747,369
Transfer from revaluation reserve on disposal of land	-	(1,180,020)	-	-	-	1,180,020	-	-	-
Net profit for the year	-	-	-	-	-	2,631,549,017	2,631,549,017	451,377,534	3,082,926,551
Other Comprehensive income / (Loss)	-	298,620,200	-	(8,322,958)	8,955,542	1,363,701	300,616,485	85,764,306	386,380,791
Total Comprehensive income	-	298,620,200	-	(8,322,958)	8,955,542	2,632,912,718	2,932,165,502	537,141,840	3,469,307,342
Final Dividends - 2017/2018	-	-	-	-	-	(221,578,768)	(221,578,768)	-	(221,578,768)
Write back of Unclaimed Dividends	-	-	-	-	-	12,298,247	12,298,247	4,342,554	16,640,801
Subsidiary Dividends to Minority Shareholders	-	-	-	-	-	-	-	(140,327,349)	(140,327,349)
Acquisition of non-controlling interests	-	-	-	-	-	32,087,830	32,087,830	(34,942,909)	(2,855,079)
Balance as at 31st March 2019	1,368,673,373	2,935,874,612	-	(19,732,588)	17,068,601	18,687,549,225	22,989,433,223	9,260,501,093	32,249,934,316
Adjustments on initial application of SLFRS - 16	-	-	-	-	-	(3,704,009)	(3,704,009)	(9,610,510)	(13,314,519)
Net profit for the year	-	-	-	-	-	2,585,768,447	2,585,768,447	175,570,523	2,761,338,970
Other Comprehensive income / (Loss)	-	23,882,926	-	(7,972,381)	24,119,268	(33,341,105)	6,688,708	(18,004,358)	(11,315,650)
Total Comprehensive income	-	23,882,926	-	(7,972,381)	24,119,268	2,552,427,342	2,592,457,155	157,566,165	2,750,023,320
Dividends - 2018/2019	-	-	-	-	-	(443,157,536)	(443,157,536)	-	(443,157,536)
Balance as at 31st March 2020	1,368,673,373	2,959,757,538	-	(27,704,969)	41,187,869	20,793,115,022	25,135,028,833	9,408,456,748	34,543,485,581

The Accounting Policies and Notes on pages 122 through 236 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended 31st March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit before tax from continuing operations		**769,656,083**	32,940,375	**3,565,717,352**	4,085,007,986
Profit/(loss) before tax from discontinued operations		**-**	-	**(1,663,196)**	(10,924,203)
Profit before tax		**769,656,083**	32,940,375	**3,564,054,156**	4,074,083,783
Adjustments to reconcile profit before tax to net cash flows:					
Dividend Income	23	**(373,763,927)**	(416,176,869)	**(972,173)**	(825,307)
Interest Income	24.2	**(17,887,352)**	(12,939,522)	**(29,807,753)**	(37,049,956)
Depreciation of Property, Plant & Equipment	3	**582,572,781**	453,900,007	**1,817,206,467**	1,678,361,405
Amortisation of Right of Use Assets	8.1	**160,087,988**	-	**265,080,451**	-
Amortisation Over Mining Land	3.20	**-**	-	**2,619,000**	2,298,041
Loss on Sale of Property, Plant & Equipment	23	**111,593**	489,636	**58,216,317**	23,463,289
Finance Costs	24.1	**952,010,995**	795,935,834	**2,286,195,314**	1,907,268,658
Provision of Inventories		**34,592,151**	-	**88,230,240**	41,611,709
Write-down of Inventories		**55,342,782**	38,517,283	**105,068,305**	50,472,626
Written off of Capital expenditure		**-**	-	**14,877,000**	12,682,534
Provision for Related Party Receivables	11.1.3	**21,041,121**	13,053,562	**-**	-
Amortization of Intangible Assets	7.2	**24,516,800**	17,482,558	**25,595,800**	17,482,558
Unrealised loss on Foreign Exchange		**8,946,568**	-	**11,235,457**	17,251,076
Impairment of Long Term Investment		**192,791,228**	-	**-**	-
Allowance for Impairment of Trade Receivable		**13,111,219**	2,514,407	**36,692,303**	13,382,120
Deferred Income / Capital Grants Amortisation	23	**-**	-	**(6,800,450)**	(13,179,238)
Changing in Fair Value of Biological Assets		**-**	-	**(39,823,904)**	(40,915,973)
Revaluation Gain on Investment Property	23	**-**	-	**(2,051,500)**	(436,475,750)
Provision /(Reversal) for Change in Market Value of the Investments	23	**(426,337)**	14,272,902	**(426,337)**	14,272,902
Profit Share of Investment in Associate		**-**	-	**(1,372,972,899)**	(1,304,108,775)
Provision for Retirement Benefit Liability	17	**68,296,767**	44,881,441	**250,740,951**	196,125,607
Operating Profit/(Loss) before Working Capital Changes		**2,491,000,460**	984,871,613	**7,072,956,746**	6,216,201,309
Increase in Inventories		**(377,280,724)**	(556,750,918)	**(2,554,330,001)**	(3,299,423,552)
(Increase)/ Decrease in Trade and Other Receivables		**128,032,695**	(85,670,459)	**274,712,610**	(524,294,675)
(Increase)/ Decrease in Other Non Financial Assets		**(67,736,172)**	94,992,758	**(215,829,239)**	(44,573,915)
Increase/ (Decrease) in Trade and Other Payables		**443,045,859**	1,297,847,605	**(79,631,885)**	427,498,949
Increase/ (Decrease) in Other Current Liabilities		**43,624,612**	119,896,221	**(73,278,305)**	164,514,808

For the year ended 31st March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Cash Generated from Operations		**2,660,686,730**	1,855,186,820	**4,424,599,926**	2,939,922,923
Finance Costs Paid		**(938,555,289)**	(785,725,762)	**(2,271,931,140)**	(1,879,370,583)
Retirement Benefit Liability Paid		**(17,600,422)**	(11,922,191)	**(141,215,402)**	(112,497,831)
Income Tax Paid		**(145,986,930)**	(20,739,005)	**(703,482,823)**	(725,070,943)
Net Cash Flows From Operating Activities		**1,558,544,089**	1,036,799,862	**1,307,970,561**	222,983,566
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	3	**(267,102,382)**	(784,167,038)	**(1,521,197,141)**	(4,035,577,104)
Acquisition of Consumable Biological Assets		**-**	-	**(9,813,535)**	(14,273,038)
(Acquisition) / Disposal of Leased Hold Right Over Mining Land		**-**	-	**-**	-
Proceeds from Sale of Property, Plant & Equipment		**20,708**	-	**6,476,892**	34,644,575
Acquisition of Intangible Assets	7.2	**(7,275,575)**	(12,411,828)	**(20,948,575)**	(12,411,828)
Proceeds from Sale of Short Term investments		**-**	-	**9,831,170**	-
Acquisition of Short-Term Investment		**47,957,955**	67,896,299	**47,224,452**	109,763,940
Acquisition of Additional Interest in subsidiaries		**(50,313,040)**	(151,628,079)	**-**	(2,855,079)
Interest Received	24.2	**17,887,352**	12,939,522	**29,807,753**	37,049,956
Dividends Received		**373,763,927**	324,187,824	**373,763,927**	125,089,225
Net Cash Flows Used in Investing Activities		**114,938,945**	(543,183,300)	**(1,084,855,057)**	(3,758,569,353)
Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		**4,149,551,480**	2,217,583,182	**21,472,039,835**	18,160,598,704
Repayment of Interest Bearing Loans & Borrowings		**(5,671,547,309)**	(2,270,435,592)	**(22,079,554,237)**	(15,939,530,532)
Capital Repayments under Lease Liabilities		**(45,743,306)**	(2,712,900)	**(121,488,714)**	(10,809,776)
Dividends Paid on Ordinary Shares		**(447,613,194)**	(223,179,227)	**(447,613,194)**	(223,179,227)
Dividend paid to non controlling interest		**-**	-	**(148,978,519)**	(93,798,069)
Capital grants received		**-**	-	**3,904,000**	2,374,442
Net Cash Flows from/(Used in) Financing Activities		**(2,015,352,329)**	(278,744,537)	**(1,321,690,829)**	1,895,655,542
Net Increase/(Decrease) in Cash and Cash Equivalents		**(341,869,295)**	214,872,025	**(1,098,575,325)**	(1,639,930,245)
Net foreign exchange difference		**-**	-	**3,631,964**	10,018,237
Cash and Cash Equivalents at the beginning of the year	21	**170,505,072**	(44,366,953)	**(2,975,976,755)**	(1,346,064,747)
Cash and cash equivalents of Royal Porcelain (Pvt) Ltd as at the date of amalgamation	40	**(757,435,998)**	-	**-**	-
Cash and Cash Equivalents at the end of the year	21	**(928,800,221)**	170,505,072	**(4,070,920,116)**	(2,975,976,755)

The Accounting Policies and Notes on pages 122 through 236 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Royal Ceramics Lanka PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No.20, R.A. De Mel Mawatha, Colombo 03.

The Consolidated Financial Statements of the Group as at and for the year ended 31 March 2020 comprise the Royal Ceramics Lanka PLC (Parent Company) and its subsidiaries (collectively, the "Group"), namely Royal Ceramics Distributors (Private) Limited, Royal Porcelain (Private) Limited, Rocell Bathware Limited, Ever Paint and Chemical Industries (Private) Limited, Rocell Ceramics Limited, Rocell Pty Ltd, Nilano Garments (Private) Limited, Lanka Ceramic PLC and the Group of Lanka Walltiles PLC and Group's interest in equity accounted investees.

1.2 Parent Enterprise and Ultimate Parent Enterprise

The Company's ultimate parent undertaking is Vallibel One PLC. The Group's ultimate controlling party is Mr. K.D.D. Perera.

1.3 Principal Activities and Nature of Operations

During the year the principal activities of the group were as follows:

Royal Ceramics Lanka PLC	-	Manufacture and marketing of floor tiles and wall tiles.
Royal Ceramics Distributors (Private) Limited	-	Non Operational.
Royal Porcelain (Private) Limited	-	Manufacture and marketing of floor tiles and wall tiles. (Amalgamated with Royal Ceramics Lanka PLC w.e.f. 01 November 2019)
Rocell Bathware Limited	-	Manufacture and marketing of sanitaryware.
Ever Paint and Chemical Industries (Private) Limited	-	Manufacture and marketing of paints and allied products. (Discontinued the operations w.e.f. 25 July 2016)
Rocell Ceramics Limited	-	Non Operational.
Rocell Pty Limited	-	Wholesale and retailing of floor tiles and wall tiles and Bathware in Australia.
Lanka Ceramic PLC	-	Manufacture and marketing of raw materials to ceramics industry and managing and holding of an investment property.
Lanka Walltiles PLC	-	Manufacture and marketing of Ceramics Wall tiles.
Lanka Tiles PLC	-	Manufacture and marketing of Floor tiles.
Vallibel Plantation Management Ltd	-	Providing management services to plantation industry.
Horana Plantations PLC	-	Manufacture and marketing of agricultural production.
Uni-Dil Packaging Ltd	-	Manufacture and marketing of cartons for packing.
Uni-Dil Packaging Solutions Ltd	-	Manufacture and marketing of paper sacks for packing.
Swisstek (Ceylon) PLC	-	Manufacture and marketing of tile grout and tile mortar.
Swisstek Aluminium Ltd	-	Manufacture and marketing of aluminium extrusions.
LWL Development (Pvt) Ltd	-	Property holding.
Beyond Paradise Collection Limited	-	Property holding.
Nilano Garments (Pvt) Ltd	-	Manufacture and trading of ceramics tiles and allied products.
Lanka Tiles (Pvt) Ltd	-	Distribution of Tiles in India.
Swisstek Development (Pvt) Ltd	-	Property Holding.
LTL Development (Pvt) Ltd	-	Property Holding.

There were no significant changes in the nature of the principal activities of the Company and Group during the financial year under review except for the amalgamation of Royal Porcelain (Private) Limited with Royal Ceramics Lanka PLC w.e.f. 01 November 2019.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2020 were authorised for issue in accordance with the resolution of the Board of Directors on 02 July 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Company and the Group have been prepared on a historical cost basis, except otherwise indicated which have been measured at fair value.

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), except when otherwise indicated. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

Rocell Pty. Ltd is using Australian Dollar (AUD) as a functional currency as the company was incorporated in Australia.

2.1.1 Statement of Compliance

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.2 Changes in Accounting Policies

New and amended standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied SLFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(a) SLFRS 16 Leases

Definition of a Lease

Previously, the Group determined, at contract inception, whether an arrangement is or contains a lease under LKAS/IFRIC. Under SLFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of lease as explained in Note 2.5.7.

On transition, the Group elected to apply SLFRS 16, only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17/IFRS 16 was applied only to contracts entered in to or charged on or after 1 April 2019.

The Group applies SLFRS 16 using the modified retrospective approach and thereby the comparative figures were not restated and continue to be reported under LKAS 17.

As a Lessor

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

As a Lessee

As a lessee, the Group previously classified lease as operating, or finance leases based on its assessment of whether the lease transferred significant all of the risks and rewards incidental to the Group. Under SLFRS 16, the Group recognises right of use assets and lease liabilities for most leases except for short term leases and leases of low-value assets to which the Group applied recognition exemptions under SLFRS 16.

Lease classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at 1 April 2019. Right of use assets are measured at an amount equal to the lease liability, adjusting by the amount of any pre-paid or accrued lease payments.

NOTES TO THE FINANCIAL STATEMENTS

In addition, the Group applied following practical expedients permitted by SLFRS 16, to leases previously classified as operating leases under LKAS 17.

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs, from the measurement of the right-of-use asset, for leases previously accounted for an operating leases at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under LKAS 17). The requirements of SLFRS 16 were applied to these leases from 1 April 2019.

The effect of adoption SLFRS 16 as at 1 April 2019 presented in the Note 08 to the financial statements.

Refer Note 2.5.7 for the accounting policy on leases.

(b) IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The interpretation is effective for annual reporting period beginning on or after 1 April 2019.

The effect of adoption IFRIC 23 as at 1 April 2019 presented in the Note 42 to the financial statements.

2.1.3 Comparative information

Previous year's figures and phrases are same as of the last year as explained in the note 2.1.2.

2.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements of the Group include:

Company Name	Country of Incorporation	Year of Incorporation	% of equity Interest	
			2020	2019
Royal Ceramics Distributors (Private) Limited	Sri Lanka	1993/1994	**100%**	100%
Royal Porcelain (Private) Limited**	Sri Lanka	2000/2001	**-**	100%
Rocell Bathware Limited	Sri Lanka	2005/2006	**100%**	100%
Ever Paint and Chemical Industries (Private) Limited	Sri Lanka	2002/2003	**100%**	100%
Rocell Ceramics Limited	Sri Lanka	2006/2007	**100%**	100%
Nilano Garments (Pvt) Ltd	Sri Lanka	1984/1985	**100%**	100%
Rocell Pty Limited	Australia	2014/2015	**100%**	100%
Lanka Ceramic PLC	Sri Lanka	1991/1992	**73.56%**	73.56%
Lanka Walltiles PLC	Sri Lanka	1975/1976	**54.55%**	54.55%
Lanka Tiles PLC	Sri Lanka	1983/1984	**39.83%***	39.83%*
Vallibel Plantation Management Limited	Sri Lanka	1992/1993	**54.55%**	54.55%
Swisstek (Ceylon) PLC	Sri Lanka	1967/1968	**32.18%***	32.18%*
Swisstek Aluminium Limited	Sri Lanka	2007/2008	**35.72%***	35.72%*
Horana Plantations PLC	Sri Lanka	1992/1993	**27.82%***	27.82%*
Uni-Dil Packaging Limited	Sri Lanka	1994/1995	**54.55%**	54.55%
Uni-Dil Papersacks (Private) Limited	Sri Lanka	2006/2007	**54.55%**	54.55%
LWL Development (Private) Limited	Sri Lanka	2015/2016	**54.55%**	54.55%
Beyond Paradise Collection Limited	Sri Lanka	2011/2012	**39.83%***	39.83%*
Lanka Tiles (Pvt) Ltd	India	2017/2018	**20.31%***	20.31%*
Swisstek Development (Pvt) Limited	Sri Lanka	2017/2018	**32.18%***	32.18%*

* The Company has a controlling stake in these investee companies through the direct and indirect holdings within Group Companies.
** Royal Porcelain (Private) Limited amalgamated with Royal Ceramics Lanka PLC w.e.f. 01 November 2019.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Group require the management to make judgments, estimates and assumptions, which may affects the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgment that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

(i) Going Concern

Financial statements of the Company and Consolidated financial statements of the Group for the year ended 31 March 2020 have been prepared on going concern basis as further elaborated in Note 2.4.

(ii) Fair value of Freehold Land and Buildings and Investment properties

The Group measures freehold land and buildings as well as Land classified as Investment properties at fair value with changes in fair value being recognized in other comprehensive income and statement of profit and loss respectively. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

NOTES TO THE FINANCIAL STATEMENTS

The valuer has used valuation techniques such as market values and discounted cash flow method where there was lack of comparable market data available based on the nature of the property. (Note 3.17 and Note 4.1)

(iii) Fair Valuation of Biological Assets

The fair value of managed timber determined based on discounted cash flow method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 3.16.

(iv) Useful life-time of the Property, Plant and equipment

The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty (Note 3.18).

(v) Impairment of non financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Refer Note 5.2 for impairment assessment performed for investments in subsidiaries.

(vi) Impairment of debtors

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. (Note 11)

(vii) Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities disclosed in the financial statements cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and inputs such as discount rates. The valuation of financial instruments is described in more detail in Note 39.

(viii) Defined Benefit Plans

The Defined Benefit Liability and the related charge for the year are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans such estimates are subject to significant uncertainty. Further details are given in Note 17.3 for the assumptions used and the sensitivity thereon.

(ix) Provision for Slow moving inventories

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 10).

(x) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies. (Note 26.3).

(xi) Leases - Estimating the incremental borrowing

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.4 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group, continue in operational existence for the foreseeable future. The Board is confident that the Group has the resources and capability to withstand the negative effects and uncertainties created by the Covid-19 Pandemic. The Group Management is closely monitoring and taking the necessary steps to manage and minimize the potential downside risks to the operation due to the COVID – 19 pandemic. The Management has also taken certain operational measures such as the temporary cessation of new recruitments, increments, all new capital projects, refurbishments and curtail advertisements, to manage the working capital. The Group is also continuously focusing on reducing inventory levels and collection of outstanding debts. Further, the Management is actively engaging with banks and suppliers to negotiate terms and obtain the required COVID – 19 financial support and rebates in order to manage the liquidity levels.

2.5 Summary of Significant Accounting Policies

2.5.1 Foreign Currency Translation

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is Group's functional currency except for Rocell Pty Limited. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.5.2 Taxation

(a) Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the relevant tax legislations. Current income tax relating to items recognised directly in equity statement is recognized in equity and not in the statement of comprehensive income.

Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Royal Ceramics Distributors (Pvt) Ltd, Ever Paint & Chemical Industries (Pvt) Ltd, Lanka Walltiles PLC, Lanka Tiles PLC, Vallibel Plantation Management Ltd, Swisstek Ceylon PLC, Horana Plantations PLC and Nilano Garments (Pvt) Ltd .

The Provision for income tax is based on the elements of income and expenditure as reported in Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

The statutory tax rates of above companies are as follows;

	2020	2019
Local sales and other profits	**28%**	28%
Agricultural profit	**14%**	14%

Swisstek Aluminium Ltd.

Income tax exemption given for Swisstek Aluminium Ltd has been ended by 01 September 2016 and company liable to pay tax at a rate of 20% on trade profit and 28% on other income.

Rocell Bathware Limited

Income tax exemption given for Rocell Bathware Limited has been expired on year of assessment 2015/16 and company liable to pay tax at a rate of 15% on manufacturing profits and 28% on trade profits and other income.

(b) Deferred Tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or subsequently enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

(c) Economic Service Charge (ESC)

As per the provisions of the Economic Service Charges Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for further three years. ESC is abolished with effect from 1 January 2020.

(d) Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT) and Nation Building Tax (NBT). The Company/Group pays such taxes in accordance with the respective statutes.

Revenue, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable and receivable and payable are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of other receivables and other payables in the Statement of Financial Position. NBT is abolished with effect from 1 December 2019.

2.5.3 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where borrowing cost that are directly attributable to acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalized as part of those assets.

2.5.4 Inventories

Inventories are valued at lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:

(a) Raw material - At purchase cost on weighted average cost basis, except for, Vallibel Plantation Management Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.

(b) Consumable and spares - At purchase cost on weighted average cost basis.

(c) Finished goods and Work in progress - at the cost of direct material, direct labour and appropriated proportion of production overheads based on normal operating capacity.

(d) Goods in transit have been valued at cost.

(e) Trading goods – At Purchase cost on weighted average basis except for Lanka Walltiles group which is on first in first out basis.

(f) Harvest Crops – Refer note 10

NOTES TO THE FINANCIAL STATEMENTS

2.5.5 Property, Plant and Equipment

(a) Initial recognition

All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amounts less any subsequent deprecation thereon. All other property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Accumulated depreciation is provided for, on the bases specified in (c) below.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance, is recognised as an expense when incurred.

(c) Depreciation

Depreciation is calculated by using a straight-line basis on all property, plant and equipment, other than freehold land, in order to write off the cost or valuation over the estimated economic life of such assets.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(d) Revaluation

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation.

Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Cost of repairs and maintenance are charged to the Statement of Profit or Loss during the period in which they are incurred.

(e) De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is derecognised.

(f) Capital Work in Progress

Capital work in progress represents the cost of civil construction work not completed and property, plant and equipment that are not ready for their intended use.

2.5.6 Intangible assets

The Group's intangible assets include the cost of computer software and goodwill.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the Statement of Profit or Loss.

Amortization is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 15 years, for computer software.

2.5.7 Leases

(a) Policy applicable before 1st April 2019

Group as a Lessee

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in Note 8.2.

The principal/capital element payable to the lessor is shown as liability/obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital outstanding.

The cost of improvements on leased property is capitalised, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Rentals paid under operating leases are recognized as an expense in the Statement of Profit or Loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(b) Policy applicable After 1st April 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considered whether;

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substation right, then the asset in not identified.
- The Group has right to obtain substantially all of the economic benefits of asset throughout the period of use; and
- The Group has right to direct the use of the asset. The Group has this right when it has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;

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- The Group has right to operate the asset; or
- The Group designated the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or charged, on after 1 April 2019.

Group as the Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and are in the range of 1 to 36 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 4- Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 8).

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The accounting policies applicable to the Group as a lessor in the comparative period were not difference from SLFRS 16.

2.5.8 Investment properties

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property. Investment Property is recognized if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

Initial measurement

An Investment Property is measured initially at its cost. The cost of a purchased Investment Property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at the date when the construction or development is complete.

Subsequent measurement

The Group applies the Fair Value Model for Investment Properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40), - "Investment Property". Accordingly, land and buildings classified as Investment Properties are stated at Fair Value.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

2.5.9 Investments In subsidiaries

Investments in subsidiaries in the separate Financial Statements have been accounted for at cost, net of any impairment losses which are charged to the Statement of Comprehensive Income of the Company.

Income from these investments is recognised only to the extent of dividend received.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amounts are recognized as income or expense.

2.5.10 Business Combination and Goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of non-controlling interest in acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets prorate to the carrying amount of each asset in the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

2.5.11 Financial instruments – initial recognition and subsequent measurement

(a) Financial assets

Initial recognition and measurement

Financial assets within the scope of SLFRS 9, are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

From 1 April 2018, the Group classifies all of these financial assets in the measurement category of financial assets at amortised cost, Financial assets at fair value through profit or loss and financial assets at fair value through OCI . Categories of financial assets as per SLFRS 9 are limited only for the followings.

(i) Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, short term deposits and cash and bank.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the

Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such

gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all

reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of SLFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings and. Accordingly Group financial liabilities have been classified as and loans and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

The accounting for financial liabilities under SLFRS 9 remains largely the same as it was under LKAS 39.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

(d) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 39.

2.5.12 Cash and Cash Equivalents

Cash and cash equivalents are cash at bank and in hand, call deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand, cash at bank deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest Bearing Liabilities in the Statement of Financial Position.

2.5.13 Investments in Associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Profit or Loss of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the Statement of Profit or Loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate are prepared for the same reporting period as the Group. Accounting policies that are specific to the business of associate companies are discussed in note 2.9.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the Statement of Profit or Loss.

The investment in associate is accounted for using the cost method in the separate financial statements.

2.5.14 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Company/Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. (refer Note 30).

Subsequently, it is measured at the higher of: The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18).

Contingent assets are disclosed, where inflow of economic benefit is probable.

2.5.15 Retirement Benefit Liabilities

(a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by revised LKAS 19 – "Employee benefits" and resulting actuarial gain/ loss was recognized in full in the Other Comprehensive Income (OCI).

The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Key assumptions used in determining the defined retirement benefit liabilities are given in Note 17 Any changes in these assumptions will impact the carrying amount of defined benefit liabilities and all assumptions are reviewed at each reporting date. Interest expense and the current service cost related to the liability is recognized in profit or loss and actuarial gain or loss is recognized in other comprehensive income.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2020 carried out by Messrs Actuarial and Management Consultants (Private) Limited, actuaries.

Funding Arrangements

The Gratuity liability is not externally funded.

(b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the Statement of Profit or Loss as incurred.

The Group contributes 12% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

NOTES TO THE FINANCIAL STATEMENTS

2.5.16 Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required for an asset, the Company makes an assessment of the assets' recoverable amount. When the carrying amount of an asset exceeds its' recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.5.17 Non-current assets held for trade and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. Costs to sale are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to distribute will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 41. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.6 Statement of Profit or Loss

2.6.1 Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items, sanitaryware, packing material, aluminium products and agricultural products in Sri Lanka and overseas as detailed in Note. 22. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group/Company is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

(a) Sale of goods - tiles and associated items, sanitaryware, packing material, aluminium products

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

(b) Sale of Plantation produce

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce).

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods.

(c) Sale of timber with installation services

The supply of timber is recognised at the point of delivery the goods to the customer and the revenue for installation services is recognised over installation period for the transactions that consumes a significant time period for installation. The revenue is recognised at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day delivery of goods.

(d) Rendering of Services

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the profit and loss in proportion to the services delivered at the reporting date.

(e) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(f) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(g) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

(h) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Other Sources of Revenue

(a) Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Statement of Profit or Loss.

(b) Dividends

Dividend Income is recognised when the shareholders' right to receive the payment is established.

(c) Rental Income

Rental income is recognised on an accrual basis.

(d) Other

Other income is recognised on an accrual basis.

(e) Gains and Losses

Net Gains and losses of a revenue nature on the disposal of property, plant and equipment and other non- current assets including investments have been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in revaluation reserve relating to that asset is transferred directly to Retained Earnings.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

2.7 Statement of Cash Flow

The Statement of Cash Flow has been prepared by using the 'In direct Method' in accordance with LKAS 7 on Statement of Cash Flows, whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognized. Cash and cash equivalents comprise mainly cash balances and highly liquid investments of which original maturity of 3 months or less and net amount due from banks.

2.8 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments of the Group are determined based on product or services supplied by Group.

Segment information is presented in respect of the Group's business and has been prepared in conformation with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group. The business segments are reported based on Group's management and internal reporting structure. Inter segment pricing is determined at prices mutually agreed by the companies.

Segment result, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of goodwill on consolidation.

The Group's segmental reporting is based on the following operating segments:

Tiles and Associated Products

The manufacture and distribution of wall tiles, floor tiles and related products.

Sanitaryware

Manufacturing and marketing of sanitaryware products.

Plantation

Cultivation, processing and sale of tea and rubber

Packaging Material

The manufacture and distribution of packing materials

Aluminium Products

The manufacture and distribution of aluminium extrusions and allied products.

Finance

Provision of Financial Solutions.

Other

Supply of raw materials to the ceramic industry and provision of consumer, retail, life style, healthcare and transportation.

Management considers that there is no suitable basis for allocating such assets and related liabilities to geographical segments. Accordingly, segment assets, segment liabilities and other segment information by geographical segment is not disclosed.

2.9 Significant Accounting Policies that are specific to the business of associates

2.9.1 L B Finance PLC

Revenue Recognition –

(a) Net interest income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Group use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 9 and the same method followed by the Group for the Financial Assets and Financial Liabilities classified as held for trading and as available-for-sale and financial Assets and Liabilities measured at amortised cost under LKAS 39 in the comparative financial year. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as an impairment charge or reversal to the Income Statement.

Interest income on impaired financial instruments continues to be recognised at original EIR to the unadjusted carrying amount until the financial asset has been classified as fully impaired. Until such the accrued interest added to the unadjusted carrying amount has been impaired to the estimated Loss Given Default (LGD). Interest from overdue rentals have been accounted for on a cash received basis.

(b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. These fees include credit-related fees and commission income. All fees and commissions are recognised to the Income Statement on an accrual basis. Fee and commission income that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

(c) Net trading income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income. Dividend income received from Financial Investments - Held for Trading is recognised when the Group's right to receive the payment is established.

(d) Others

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as Other Operating Income on an accrual basis.

(e) Impairment charges and other losses

The Group recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments). Recovery of amounts written-off as bad and doubtful debts is credited to impairment charges and other losses.

2.10 Significant Accounting Policies that are Specific to the Business of Plantation

Basis of Preparation

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 3.12 and 3.13.
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Liability is recognized as the present value of the defined benefit liability based on actuarial valuation as per LKAS 19: Employee benefits)
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.10.1 Property, Plant and Equipment

(a) Permanent Land Development Cost

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

(b) Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets).

NOTES TO THE FINANCIAL STATEMENTS

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

Recognition and Measurement

The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalised are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labor and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

Consumer Biological Assets

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Discounted Cash Flow (DCF) method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Group.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in profit or loss for the period in which it arises.

Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23 - "Borrowing Costs".

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

Produce on Bearer Biological Asset

"The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered."

2.10.2 Inventories

(a) Agricultural produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi finished inventories from Agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

(b) Agricultural produce after further processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

At actual cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at cost or NRV.

2.10.3 Retirement Benefit Liability

(a) Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Liability in the Statement of Financial Position.

Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Meserss. Acturial Management Consultants (Private) Limited as at 31 March 2020.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

The liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

(b) Defined Contribution Plans - Provident Funds and Trust Fund

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

2.10.4 Deferred Income

(a) Grants and Subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 18 to the Financial Statements.

Grants related to income are recognized in the Statement of comprehensive Income in the year which it is receivable.

Unconditional grants received for consumer biological assets are measured at fair value less cost to sell are recognized in the Statement of Comprehensive income when and only when such grants become receivable.

2.10.5 Revenue Recognition

Refer Note 22 for the policy of revenue recognition on sale of the plantation products.

2.11 Standards Issued but not yet Effective

The amended standards that are issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. The Group/Company intends to adopt these amended standards, if applicable, when they become effective.

Amendments to LKAS 1 and LKAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application is permitted.

03. PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

	Balance As at 01.04.2019 Rs.	Additions/ Transfers Rs.	Balances transferred on Amalgamation Rs.	Transfers / Reclassification Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
At Cost or Valuation						
Land	2,145,623,500	-	144,375,625	-	-	**2,289,999,125**
Building	1,488,652,224	193,442,473	633,277,929	-	-	**2,315,372,626**
Lab Equipment	7,395,141	-	-	-	-	**7,395,141**
Motor Vehicles	265,345,686	11,741,716	176,576,764	-	-	**453,664,166**
Electricity Distribution	29,302,843	30,182,126	5,114,359	-	-	**64,599,328**
Office Equipment	399,546,100	27,285,317	42,060,107	-	(281,820)	**468,609,704**
Communication Equipment	12,394,772	2,843,548	1,840,508	-	-	**17,078,828**
Furniture & Fittings	656,039,316	16,493,095	84,492,979	-	-	**757,025,390**
Tools & Implements	175,296,970	13,822,263	14,109,265	-	-	**203,228,498**
Other Equipment	69,966,728	10,825,780	22,700,286	-	-	**103,492,794**
Factory Equipment	23,257,991	-	-	-	-	**23,257,991**
Construction Equipment	2,236,047	-	-	-	-	**2,236,047**
Plant and Machinery	2,244,621,506	325,587,463	2,682,489,489	-	-	**5,252,698,458**
Household Item Light	78,830	-	-	-	-	**78,830**
Showroom Fixtures & Fittings	1,350,811,280	53,337,100	133,812,919	-	-	**1,537,961,299**
Stores Buildings on Lease hold Land	3,965,135	-	262,690,434	-	-	**266,655,569**
	8,874,534,069	685,560,881	4,203,540,664	-	(281,820)	**13,763,353,794**
Assets on Finance Leases						
Motor Vehicles	13,883,000	-	-	(13,883,000)	-	**-**
	13,883,000	-	-	(13,883,000)	-	**-**
	8,888,417,069	685,560,881	4,203,540,664	(13,883,000)	(281,820)	**13,763,353,794**

In the Course of Construction	Balance As at 01.04.2019 Rs.	Additions Rs.	Balances transferred on Amalgamation Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
Capital Work in Progress	686,294,624	261,360,664	139,529,146	(679,819,165)	-	**407,365,269**
Total Gross Carrying Amount	9,574,711,693	946,921,545	4,343,069,810	(693,702,165)	(281,820)	**14,170,719,063**

NOTES TO THE FINANCIAL STATEMENTS

3.2 Depreciation

	Balance As at 01.04.2019 Rs.	Charge for the Year Rs.	Balances transferred on Amalgamation Rs.	Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost or valuation						
Building	46,703,770	61,024,060	31,364,855	-	-	**139,092,685**
Lab Equipment	6,330,150	365,201	-	-	-	**6,695,351**
Motor Vehicles	169,692,123	35,673,441	153,635,665	-	-	**359,001,229**
Electricity Distribution	10,919,907	1,462,609	3,308,849	-	-	**15,691,365**
Office Equipment	253,786,538	35,024,225	35,937,014	-	(149,520)	**324,598,257**
Communication Equipment	11,773,239	683,467	1,235,599	-	-	**13,692,305**
Furniture & Fittings	410,231,118	79,514,310	82,905,703	-	-	**572,651,131**
Tools & Implements	153,846,623	21,473,072	13,222,141	-	-	**188,541,836**
Other Equipment	36,565,013	10,862,566	22,388,518	-	-	**69,816,097**
Factory Equipment	23,257,991	-	-	-	-	**23,257,991**
Construction Equipment	2,236,047	-	-	-	-	**2,236,047**
Plant and Machinery	1,185,151,828	226,791,150	1,930,391,908	-	-	**3,342,334,886**
Household Item Light	59,092	-	-	-	-	**59,092**
Showroom Fixtures & Fittings	361,756,841	109,698,680	86,175,567	-	-	**557,631,088**
Stores Buildings on Lease hold Land	3,568,628	-	10,220,268	-	-	**13,788,896**
	2,675,878,908	582,572,781	2,370,786,087	-	(149,520)	**5,629,088,256**
Assets on Finance Leases						
Motor vehicles	9,348,868	-	-	(9,348,868)	-	**-**
	9,348,868	-	-	(9,348,868)	-	**-**
Total Value of Depreciation						
	2,685,227,776	582,572,781	2,370,786,087	(9,348,868)	(149,520)	**5,629,088,256**

3.3 Net Book Values of Property Plant and Equipments

	2020 Rs.	2019 Rs.
At Cost or Valuation		
Land	**2,289,999,125**	2,145,623,500
Building	**2,176,279,941**	1,441,948,454
Lab Equipment	**699,790**	1,064,991
Motor Vehicles	**94,662,937**	95,653,564
Electricity Distribution	**48,907,963**	18,382,936
Office Equipment	**144,011,447**	145,759,561
Communication Equipment	**3,386,523**	621,533
Furniture & Fittings	**184,374,259**	245,808,198
Tools & Implements	**14,686,662**	21,450,347
Other Equipment	**33,676,697**	33,401,715
Plant and Machinery	**1,910,363,572**	1,059,469,678
Household Item Light	**19,738**	19,738
Showroom Fixtures & Fittings	**980,330,211**	989,054,439
Stores Buildings on Lease hold Land	**252,866,673**	396,507
	8,134,265,538	6,198,655,161
Assets on Finance Leases		
Motor Vehicles	**-**	4,534,132
	8,134,265,538	6,203,189,293
In the Course of Construction	**407,365,269**	686,294,624
	8,541,630,807	6,889,483,917

3.4 During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 267,102,382/- (2019 - Rs. 784,167,038/-)

3.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 1,632,282,934/- (2019 - Rs. 1,490,406,090/-) which are still in use.

NOTES TO THE FINANCIAL STATEMENTS

PROPERTY, PLANT & EQUIPMENT - GROUP

3.6 Gross Carrying Amounts

	Balance As at 01.04.2019 Rs.	Additions / Transfers Rs.	Effect of Exchange Rate Differences Rs.	Reclassified / Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
Freehold and Clay Mining Land	7,815,174,068	29,904,000	-	-	**7,845,078,068**
Buildings	6,150,666,175	608,981,848	-	(43,135,000)	**6,716,513,023**
Water Supply Scheme	492,364,354	128,398,000	-	-	**620,762,354**
Lab Equipment	18,479,912	-	-	-	**18,479,912**
Motor Vehicles	502,719,376	12,071,716	(150,411)	-	**514,640,681**
Electricity Distribution	35,020,971	30,182,126	-	-	**65,203,097**
Office Equipment	476,417,346	30,493,612	(844,031)	(5,013,584)	**501,053,343**
Communication Equipment	614,804,753	42,952,548	-	(8,235,279)	**649,522,022**
Furniture and Fittings	841,840,968	22,176,022	(368,699)	(2,720,888)	**860,927,403**
Tools & Implements	980,720,623	139,397,743	(21,592)	(4,363,736)	**1,115,733,038**
Sundry Equipment	1,864,328	2,124,902	-	-	**3,989,230**
Other Equipment	86,324,310	11,151,027	-	-	**97,475,337**
Factory Equipment	23,257,991	-	-	-	**23,257,991**
Moulds	135,778,389	3,083,792	-	-	**138,862,181**
Construction Equipment	24,936,334	-	-	-	**24,936,334**
Plant and Machinery	16,447,644,590	874,697,839	-	(22,787,637)	**17,299,554,792**
Household Item - Light	78,830	-	-	-	**78,830**
Showroom Fixtures & Fittings	1,503,885,953	53,337,100	-	-	**1,557,223,053**
Stores Buildings on Lease hold Land	439,405,341	-	(11,636,056)	(99,379,789)	**328,389,496**
	36,591,384,612	1,988,952,275	(13,020,789)	(185,635,913)	**38,381,680,185**
Assets on Finance Leases					
Plant & Machinery	20,184,680	-	-	(20,184,680)	**-**
Leasehold land	14,600,000	-	-	(14,600,000)	**-**
Motor vehicles	21,067,376	-	-	(21,067,376)	**-**
Transport & Communication Equipment	16,638,859	-	-	(16,638,859)	**-**
	72,490,915	-	-	(72,490,915)	**-**
	36,663,875,527	1,988,952,275	(13,020,789)	(258,126,828)	**38,381,680,185**

In the Course of Construction	Balance As at 01.04.2019 Rs.	Additions / Transfers Rs.	Effect of Exchange Rate Differences Rs.	Reclassified / Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
Capital Work in Progress	1,420,559,683	770,590,013	-	(1,383,519,147)	**807,630,549**
Total Gross Carrying Amount	38,084,435,210	2,759,542,288	(13,020,789)	(1,641,645,975)	**39,189,310,734**

3.7 DEPRECIATION

	Balance As at 01.04.2019 Rs.	Charge for the Year Rs.	Effect of Exchange Rate Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost or Valuation	-	-	-	-	**-**
Clay Mining Land	4,234,299	288,632	-	-	**4,522,931**
Building	381,862,543	188,968,788	-	(15,368,000)	**555,463,331**
Water Supply Scheme	312,045,526	32,459,000	-	-	**344,504,526**
Lab Equipment	17,351,829	385,663	-	-	**17,737,492**
Motor Vehicles	360,288,688	45,360,273	(146,962)	-	**405,501,999**
Electricity Distribution	14,049,600	1,998,785	-	-	**16,048,385**
Office Equipment	317,484,602	37,731,579	(802,937)	(4,731,764)	**349,681,480**
Communication Equipment	459,765,487	37,718,527	-	(23,445,805)	**474,038,209**
Furniture & Fittings	559,418,085	91,741,732	(188,486)	(417,778)	**650,553,553**
Tools & Implements	765,963,306	99,749,741	(20,144)	(17,287,000)	**848,405,903**
Sundry Equipment	1,056,974	43,279	-	-	**1,100,253**
Other Equipment	48,811,128	11,369,854	-	-	**60,180,982**
Factory Equipment	23,257,991	-	-	-	**23,257,991**
Moulds	128,273,940	2,827,069	-	-	**131,101,009**
Construction Equipment	23,729,736	104,315	-	-	**23,834,051**
Plant and Machinery	7,949,044,372	1,006,043,958	-	(6,415,546)	**8,948,672,784**
Household Item - Light	59,092	-	-	-	**59,092**
Showroom Fixtures & Fittings	448,299,216	118,171,946	-	-	**566,471,162**
Stores Buildings on Lease hold Land	91,348,173	13,743,326	(3,480,540)	(25,388,062)	**76,222,897**
	11,906,344,587	1,688,706,467	(4,639,069)	(93,053,955)	**13,497,358,030**
Assets on Finance Leases					
Plant & Machinery	18,790,472	-	-	(18,790,472)	**-**
Leasehold land	9,374,916	-	-	(9,374,916)	**-**
Motor vehicles	12,303,650	-	-	(12,303,650)	**-**
Transport & Communication Equipment	7,851,195	-	-	(7,851,195)	**-**
	48,320,233	-	-	(48,320,233)	**-**
Total Value of Depreciation	11,954,664,820	1,688,706,467	(4,639,069)	(141,374,188)	**13,497,358,030**

NOTES TO THE FINANCIAL STATEMENTS

3.8 Net Book Values of Property Plant and Equipments

	2020 Rs.	2019 Rs.
At Cost or Valuation		
Freehold and Clay Mining Land	**7,840,555,137**	7,810,939,769
Building	**6,161,049,692**	5,768,803,632
Water Supply Scheme	**276,257,828**	180,318,828
Lab Equipment	**742,420**	1,128,083
Motor Vehicles	**109,138,682**	142,430,688
Electricity Distribution	**49,154,712**	20,971,371
Office Equipment	**151,371,863**	158,932,744
Communication Equipment	**175,483,813**	155,039,266
Furniture and Fittings	**210,373,850**	282,422,883
Tools and Implements	**267,327,135**	214,757,317
Sundry Equipment	**2,888,977**	807,354
Other Equipment	**37,294,355**	37,513,182
Mould	**7,761,172**	7,504,449
Construction Equipment	**1,102,283**	1,206,598
Plant and Machinery	**8,350,882,008**	8,498,600,218
Household Item - Light	**19,738**	19,738
Showroom Fixtures and Fittings	**990,751,891**	1,055,586,737
Stores Buildings on Leasehold Land	**252,166,599**	348,057,168
	24,884,322,155	24,685,040,025
Assets on Finance Leases		
Plant & Machinery	**-**	1,394,208
Leasehold land	**-**	5,225,084
Motor vehicles	**-**	8,763,726
Transport & Communication Equipment	**-**	8,787,664
	-	24,170,682
In the Course of Construction	**807,630,549**	1,420,559,683
	25,691,952,704	26,129,770,390

3.9 Net book value of assets

For the year ended 31st March	2020 Rs.	2019 Rs.
Property, plant and equipment [3.8]	**25,691,952,704**	26,129,770,390
Leasehold right to bare land of JEDB/SLSPC Estates [3.12]	**-**	101,386,000
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) [3.13]	**-**	39,927,000
Bearer Biological Assets (3.14)	**2,208,942,000**	2,206,929,000
Total	**27,900,894,704**	28,478,012,390

3.10 During the Period, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 1,521,197,141/- (2019-Rs. 4,035,577,104/-) .

3.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 6,034,511,376/- (2019 Rs. 4,411,789,603/-) which are still in use.

3.12 Leasehold right to bare land of JEDB/SLSPC estates

	2020 Rs.	2019 Rs.
Capitalised value		
As at 22.06.1992	**204,931,000**	204,931,000
Transferred under note 8 - Right of use assets	**(204,931,000)**	
Adjusted balance as at 1st April 2020	**-**	204,931,000
Amortisation		
At the beginning of the year	**103,545,000**	99,678,000
Transferred under note 8 - Right of use assets	**(103,545,000)**	-
Adjusted balance as at 1st April 2020	**-**	99,678,000
Charge for the year	**-**	3,867,000
At the end of the year	**-**	103,545,000
Carrying Amount		
At the end of the year	**-**	101,386,000

The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of Horana Plantations PLC.(HPPLC), as at 22nd June 1992, immediately after formation of HPPLC, in terms of the opinion obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose lands have been revalued at Rs. 204.931Mn. being the value established for these lands by Valuation Specialist, D. R. Wickremasinghe just prior to the formation of HPPLC.

NOTES TO THE FINANCIAL STATEMENTS

3.13 Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land)

	Immature Plantations Rs.	Mature Plantations (Bearer Biological Assets) Rs.	Permanent Land Development Cost Rs.	Buildings Rs.	Plant & Machinery Rs.	Total 2020 Rs.	Total 2019 Rs.
Capitalised Value							
As at 22.06.1992	-	214,810,000	4,014,000	47,173,000	6,818,000	**272,815,000**	272,815,000
Transfers to mature							
Transferred under note 8 - Right of use assets	-	(214,810,000)	(4,014,000)	(47,173,000)	(6,818,000)	**(272,815,000)**	-
At the end	-	-	-	-	-	**-**	272,815,000
Amortisation							
At the beginning of the year	-	175,446,000	3,451,000	47,173,000	6,818,000	**232,888,000**	225,709,000
Amortization during the year	-	(175,446,000)	(3,451,000)	(47,173,000)	(6,818,000)	**(232,888,000)**	7,179,000
At the end of the year	-	-	-	-	-	**-**	232,888,000
Written Down Value							
As at 31.03.2020	-	-	-	-	-	**-**	
As at 31.03.2019	-	39,364,000	563,000	-	-		39,927,000

In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor(JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of the company.

Investments in Bearer Biological assets which were immature, at the time of handing over to the Company by way of estate lease, are shown under Bearer Biological assets - immature (Revalue as at 22.06.1992). Further investments in such a bearer biological assets (Immature to bring them to maturity are shown under " Note 3.14 Bearer Biological assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 3.14 - Bearer Biological assets Immature plantations) to Note 3.14 - Bearer Biological assets Mature Plantations) shown under Note 3.14 and corresponding move from bearer biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over. Biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over.

3.14 Bearer Biological Assets

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Diversification Rs.	Total 2020 Rs.	Total 2019 Rs.
Immature Plantations						
Cost						
At the beginning of the year	121,577,000	198,386,000	91,767,000	108,100,000	**519,830,000**	498,887,000
Additions	23,652,000	36,610,000	44,963,000	39,949,000	**145,174,000**	155,784,000
Transfers from Mature	(48,019,000)	(42,875,000)	(12,381,000)	(24,849,000)	**(128,124,000)**	(122,240,000)
Transfers (from)/to	-	-	(871,000)	871,000	**-**	-
Write off during the year	-	(11,558,000)	(1,187,000)	(1,078,000)	**(13,823,000)**	(12,601,000)
At the end of the year	97,210,000	180,563,000	122,291,000	122,993,000	**523,057,000**	519,830,000
Mature Plantations						
Cost						
At the beginning of the year	793,951,000	1,426,032,000	104,156,000	77,603,000	**2,401,742,000**	2,279,930,000
Transfers from Immature	48,019,000	42,875,000	12,381,000	24,849,000	**128,124,000**	122,239,000
Transferred to Statement of Profit or Loss	-	(6,437,000)	-	-	**(6,437,000)**	(426,000)
Write off during the year	(73,000)	-	-	(6,829,000)	**(6,902,000)**	-
At the end of the year	841,897,000	1,462,470,000	116,537,000	95,623,000	**2,516,527,000**	2,401,743,000
Accumulated Amortization						
At the beginning of the year	210,903,000	481,670,000	9,285,000	12,786,000	**714,644,000**	602,763,000
Charge for the year	28,864,000	79,645,000	5,207,000	14,784,000	**128,500,000**	112,223,000
Transferred to Statement of Profit or Loss	-	(6,313,000)	-	-	**(6,313,000)**	(342,000)
Write off during the year	(67,000)			(6,122,000)	**(6,189,000)**	
At the end of the year	239,700,000	555,002,000	14,492,000	21,448,000	**830,642,000**	714,644,000
Written Down Value	602,197,000	907,468,000	102,045,000	74,175,000	**1,685,885,000**	1,687,098,000
Total Bearer Biological Assets	699,407,000	1,088,031,000	224,336,000	197,168,000	**2,208,942,000**	2,206,929,000

These are investments in immature/mature plantations since the formation of HPPLC. The assets (including plantations) taken over by way of estate leases are set out in Note 3.12 and 3.13 Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

NOTES TO THE FINANCIAL STATEMENTS

3.15 Consumable Biological Assets

	2020 Rs.	2019 Rs.
Immature Plantations		
Cost:		
At the beginning of the year	**36,211,326**	51,824,000
Additions during the year	**9,813,535**	14,273,038
Transfers to Mature Plantations	**(1,734,000)**	(29,885,712)
Transferred to Statement of Profit or Loss	**(19,000)**	-
At the end of the year	**44,271,861**	36,211,326
Mature Plantations		
Cost:		
At the beginning of the year	**549,708,475**	484,751,000
Decrease due to harvest	**(16,868,753)**	(45,591,678)
Increase due to new plantations	**1,734,000**	29,885,741
Change in Fair Value less costs to sell	**53,331,362**	80,663,412
At the end of the year	**587,905,084**	549,708,475
Total Consumable Biological Assets	**632,176,945**	585,919,801

3.16 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31st March 2020 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 44.273Mn as at 31st March 2020. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr.A.A.M.Fathihu-proprietor of FM Valuers for 2019/20 using Discounted Cash Flow (DFC) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

- The prices adopted are net of expenditure
- Discounted rates used by the Valuer are within the range of 14% - 16%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Sensitivity Analysis

Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

		-5%		-5%
Managed Timber	**2020**	Rs. 580.54Mn	Rs. 587.70Mn	Rs. 595.93Mn

Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

		-1%		1%
Managed Timber	**2020**	Rs. 606.95Mn	Rs. 587.90Mn	Rs. 570.85Mn

Borrowing costs amounting to Rs. 59.723Mn (Rs. 58.723Mn in 2018/19) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average capitalisation rate of 12.72% (13.59% in 2018/19).

NOTES TO THE FINANCIAL STATEMENTS

3.17 The following properties are revalued and recorded under freehold land & clay mining land. Fair Value measurement disclosure for revalued land based on un-observable input as follows.

(A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).

(B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level - 2)

(C) Input for the assest or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

No	Company	Location	Extent	Valuer		Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	FairValue measurement using Significant unobservable inputs (Level 3) Rs.Mn	Fair Value as per previous revaluation year Rs.Mn
1	Royal Ceramics Lanka PLC	Factory at Eheliyagoda	A50-R1-P34.72	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 56,250/- per perch	454.203	247.150
		Showroom and Cutting Centre Land at Kottawa	A1-R1-P24.75	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 1,250,00/- - Rs. 2,000,000/- per perch	343.437	105.485
		Land at Meegoda Warehouse	A2-R3-P31.29	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 250,000/- - Rs. 300,000/- per perch	120.187	46.6
		Land at Nawala for Nawala New Showroom	P24.90	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 7,000,000- per perch	174.3	87.150
		Land at Nattandiya	A10	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 18,750/- per perch	30	20
		Land at Kalutara	A4-R3-P8.20	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 15,602/- per perch	11.986	11.525
		Land at Seeduwa	R1-P12.50	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 2,500,000/- per perch	131.25	-
		Land at Narahenpita	P17.02	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 7,000,000/- per perch	119.14	-
		Land at Colpetty	P19.97	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 15,000,000/- per perch	300	-
		Land at Panadura	P18.82	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 3,500,000/- per perch	65.87	-
		Land at Dehiwala	P14.83	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 7,000,000/- per perch	103.81	-
		Land at Narahenpita	R1-P5.32	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 6,430,714/- per perch	291.44	-
		Factory buildings Eheliyagoda	315,609sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 2,044.64 per sq.ft	645.307	-
		Showroom Building -Kottawa	9,556sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 1,250/- - Rs. 7,000/- per sq.ft	54.465	-
		Warehouse Building at Meegoda	36,982sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 1,540/- - Rs. 5,640/- per sq.ft	149.065	-
		Showroom Building at Nawala 101	8,470sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 1,560/- - Rs. 6,240/- per sq.ft	52.983	-
		Showroom Building at Narahenpita 100	13,410sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 10,260 per sq.ft	137.6	-
		Showroom Building at Panadura	5,176sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 8,026.20per sq.ft	41.543	-
		Showroom Building at Seeduwa	7,320sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 3,325/- - Rs. 5,640/- per sq.ft	38.852	-
		Showroom Building at Dehiwala	11,574sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 3,000 per sq.ft	34.722	-
		Head office Building No 20,Colombo	28,278sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 11,387 per sq.ft	322	-
		Factory Land at Horana	A.14 - R.1- P.7.36	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 62,500/- per perch	142.96	89.088
		Factory Building at Horana	285,168 sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 1,250/- to Rs. 5,000/- per sq.ft	566.073	-
		Warehouse Building at Meegoda	77,467 sq.ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 3,500/- to Rs. 4,000/- per sq.ft	263.224	-
2	Rocell Bathware Limited	Factory land at Homagama	A1-R2-P19.60	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 150,000/- per perch	38.94	22.066
		Land at Meegoda	A1-R3-P04.10	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 200,000/- per perch	64.320	10.8
		Factory complex at Homagama	202,003 Sq. ft	Mr. A.A.M. Fathihu		31 March 2018	Market based evidence	Rs. 800/- to 4,500/- per sq.ft	632.895	
3	Lanka Walltiles PLC	Land at No.215, Nawala Road, Narahenpita, Colombo 05.	A1-R1-P2.1	Mr. Ranjan J Samarakone		31 March 2019	Market based evidence	Rs. 7,000,000 per perch	1,414.7	1,212.6
		Plan No 2205 Situated at Mawathagama and Galagedara Village	A23-R1-P24.16	Mr. Ranjan J Samarakone		31 March 2019	Market based evidence	Rs. 300,000 per perch	1,123.2	936.04
		Land at No.215,Nawala Road,Narahenpita,Colombo 05.	35,990 Sq.Ft	Mr. Ranjan J Samarakone		31 March 2018	Contractor's basis method valuation	Rs. 1,000/- to 3,500/- per sq.ft	85.281	87,151
		Plan No 2205 Situated at Mawathagama and Galagedara Village	279,361 Sq.ft	Mr. Ranjan J Samarakone		31 March 2018	Contractor's basis method valuation	Rs. 2,000/- to 4,000/- per sq.ft	726.664	716.769

NOTES TO THE FINANCIAL STATEMENTS

No	Company	Location	Extent	Valuer		Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	FairValue measurement using Significant unobservable inputs (Level 3) Rs.Mn	Fair Value as per previous revaluation year Rs.Mn
4	Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 40,000/-to Rs. 175,000/- per perch	558.989	557.357
		Land at Biyagama	02A-00R-15.93P	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 950,000 per perch	31.9134	285.541
		Marawila silica land	13A-0R-02P	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 18,752.52 per perch	39.038	35.78
		Ball Clay land at Kalutara	5A-01R-0.83P	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 62.50 per perch	0.052	0.052
5	Uni-Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. D.G.Newton		31 March 2016	Market based evidence	Rs. 70,000/- per perch	102.046	102.046
		Building and land improvement at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton		31 March 2016	Depreciated Replacement cost	Rs. 650/- to Rs. 2,000/- per sq.ft	179.254	179.254
6	Uni-Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton		31 March 2016	Market based evidence	Rs. 60,000/- per perch	26.1	26.1
		Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton		31 March 2016	Depreciated Replacement cost	Rs. 1,750/- to Rs. 2,500/- per sq.ft	46.4	46.4
7	Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 646,429/- per perch	633.5	600
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 567,500/- per perch	11.35	6.7
		Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft	Mr. Ranjan J Samarakone		31 March 2018	Contractor's method	Rs. 3,750/- per sq.ft	112.5	75
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft	Mr. Ranjan J Samarakone		31 March 2018	Depreciated Replacement cost	Rs. 361/- per sq.ft	0.5	0.3
		Factory Complex, Belummahara, Imbulgoda-Tile Stores	24,444 sq.ft	Mr. Ranjan J Samarakone		31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	63.351	63.351
		Factory Complex, Belummahara, Imbulgoda-Sales center	4890 sq.ft	Mr. Ranjan J Samarakone		31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	27.261	21.122
		Factory Complex, Belummahara, Imbulgoda-Open Shed	1600 sq.ft	Mr. Ranjan J Samarakone		31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	2.676	2.073
		Factory Complex, Belummahara, Imbulgoda-Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera		31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	22.3	17.278
8	Swisstek Aluminum Ltd.	Land at Pahala Dompe, Dompe Lot 01	R02-P17.7	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 17,567,247 per acre	10.727	18
		Dompe Lot 02	A9-R1-P15.9	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 18,834,861 per acre	176	-
		Dompe Lot 03	A0-R2-P5.2	Mr. Ranjan J Samarakone		31 March 2018	Market based evidence	Rs. 7,511,737 per acre	4	-
		Building at Pahala Dompe, Dompe	142,242 sq.ft	Mr. Ranjan J Samarakone		31 March 2018	Contractors Method	Rs. 40,000/-to Rs. 175,000/- per perch	464.533	204.397
9	Lanka Ceramic PLC	Mining Land at Owala	25A-2R-15P	Mr. P.B.Kalugalagedera		31 March 2016	Market based evidence	Rs. 100,000/- to Rs. 250,000/- per acre	4.809	4.809
		Land situated at Owala	1A-1R-02.0P	Mr. P.B.Kalugalagedera		31 March 2016	Market based evidence	Rs. 400,000/- per acre	0.5	0.5
		Factory building & office building at Owala mine	7038 Sq.ft	Mr. P.B.Kalugalagedera		31 March 2016	Depreciated cost method	Rs. Nil to Rs. 1,000/- per sq.ft	5.157	5.157
		Mining Land at Meetiyagoda	35A-10R-4.33P	Mr. P.B.Kalugalagedera		31 March 2016	Market based evidence	Rs. 300,000/- to Rs. 1,000,000/- per acre	17.051	17.051
		Mining Land at Dediyawala	50A-0R-05.48P	Mr. P.B.Kalugalagedera		31 March 2016	Market based evidence	Rs. 200,000/- per acre	10.007	10.007
		Land situated at Meetiyagoda	7A-2R-28P	Mr. P.B.Kalugalagedera		31 March 2016	Market based evidence	Rs. 750,000/- to Rs. 1,750,000/- per acre	12.931	12.931
		Factory building & office building at Meetiyagoda mine	39,512 sq.ft	Mr. .B.Kalugalagedera		31 March 2016	Depreccciated cost method	Rs. 100/- to Rs. 500/- per sq.ft	13.557	13.557
10	Rocell Ceramics Ltd	Kiriwaththuduwa Estate,Moonamalwatta Road,Kiriwaththuduwa,Homagama	33A-2R-26.0P	Mr. A.A.M. Fathihu		22 February 2017	Market based evidence	Rs. 12,000,000 Per Acre	403.92	403.92

Significant increases (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

As a result of the COIVD-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was performed mainly using external independent professional values. Based on such assessment no significant charge to the revalued carrying as at 31st March 2020.

NOTES TO THE FINANCIAL STATEMENTS

3.18 The useful lives of the assets are estimated as follows ;

	2020	2019
Non plantation assets		
Building on free hold land and roadway	**25,40 & 50**	25,40 & 50
Plant and machinery,Other Equipment	**5-20**	5-20
Water supply and electricity distribution scheme	**5-25**	5-25
Tools, implements and furniture and fittings,Lab Equipment	**2,4,5,&10**	2,4,5,&10
Transport and communication equipment	**4-12**	4-12
Motor Vehicles	**5**	5
Computer Hardware & Software	**8,4**	4 & 8
Communication Equipment,Sundry Equipment,factory equipment	**10-50**	10-50
Construction equipment	**20**	20
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal amounts over the following years		
Bare land	**53**	53
Mature plantations	**30**	30
Permanent land development costs	**30**	30
Buildings	**25**	25
Plant and machinery	**15**	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	**33 1/3**	33 1/3
Mature plantations (Rubber)	**20**	20
Mature plantations (Coconut)	**50**	50
Mature plantations (Cinnamon)	**15**	15
Mature plantations (Coffee and pepper)	**4**	4
Mature plantations (Pineapple)	**3**	3
Mature plantations (Oil palm)	**20**	20
Permanent Land Development Cost	**30**	40
Mature plantations (Custard Apple)	**30**	30

No depreciation is provided for immature plantations.

3.19 The carrying amount of revalued assets of the Company would have been included in the Financial Statement had the assets been carried at cost less depreciation as follows;

	Company			
	Cost 2020 Rs.	Accumulated Depreciation 2020 Rs.	Net Carrying Amount 2020 Rs.	Net Carrying Amount 2019 Rs.
Freehold Land	**847,911,524**	**-**	**847,911,524**	847,911,524
Freehold Building	**913,944,327**	**301,107,101**	**612,837,226**	649,394,999
	1,761,855,851	**301,107,101**	**1,460,748,750**	1,497,306,523

	Group			
	Cost 2020 Rs.	Accumulated Depreciation 2020 Rs.	Net Carrying Amount 2020 Rs.	Net Carrying Amount 2019 Rs.
Freehold land and Clay Mining Land	**2,930,670,060**	**4,354,000**	**2,926,316,060**	2,725,246,882
Freehold Building	**5,617,562,597**	**1,162,403,235**	**4,455,159,362**	3,184,530,450
	8,548,232,657	**1,166,757,235**	**7,381,475,422**	5,909,777,332

3.20 Leasehold Right over Mining Land

	Group	
	2020 Rs.	2019 Rs.
Cost		
At the beginning of the year	**15,800,000**	15,800,000
At the end of the year	**15,800,000**	15,800,000
Accumulated Amortization		
At the beginning of the year	**11,562,000**	9,264,000
Charge for the year	**2,619,000**	2,298,000
At the end of the year	**14,181,000**	11,562,000
Written Down Value	**1,619,000**	4,238,000

The Company also pay monthly payments based on quantity of clay extracted from these lease hold land.

04. INVESTMENT PROPERTY

	Group	
	2020 Rs.	2019 Rs.
At the beginning of the year	**1,725,249,760**	1,287,007,000
Addition	**-**	1,767,000
Change in Fair Value	**2,051,500**	436,475,760
At the end of the year	**1,727,301,260**	1,725,249,760

NOTES TO THE FINANCIAL STATEMENTS

4.1 Fair value of investment property

The following Investment properties are revalued during the financial year 2019/20.

Company	Location	Extent	No. of Buildings		Valuation Date	Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.000's
Lanka Ceramic PLC	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03.	1R - 1.12 P			31 March 2020	Mr. A.A.M. Fathihu	Market based evidence	Rs. 19,000,000/- per perch	781,280
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03.	27,712 Sq.ft	01		31 March 2020	Mr. A.A.M. Fathihu	Depreciated replacement cost	Rs. 7,600/- - Rs. 10,450/- per sq.ft	129,216
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03.	1R - 1.12 P			31 March 2019	Mr. A.A.M. Fathihu	Market based evidence	Rs. 19,000,000/- per perch	781,280
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03.	27,712 Sq.ft	01		31 March 2019	Mr. A.A.M. Fathihu	Depreciated replacement cost	Rs. 7,000/- - Rs. 9,800/- per sq.ft	127,165
LWL Development (Pvt) Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P			31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per acre	390,895
	Waradala Village,Divulapitiya, Gampaha	4A-01R-15.9P			31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 5,000,000/- per acre	21,746
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P			31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 200,000/- per perch	9,000
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P			31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 50,000/- per perch	345
	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P			31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per acre	390,895
	Waradala Village,Divulapitiya, Gampaha	4A-01R-15.9P			31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 5,000,000/- per acre	21,746
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P			31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 200,000/- per perch	9,000
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P			31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 50,000/- per perch	345
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P			31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per acre	390,895
	House	981.sq.ft	01		31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 4,000/- per sq.ft	3,924
	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P			31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per acre	390,895
	House	981.sq.ft	01		31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 4,000/- per sq.ft	3,924

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was obtained by the independent professional valuers who determined no significant change to the revalued carrying amount provided as at 31 March 2020.

Significant increases/ (decrease) in estimated price per perch/ price per square foot in isolation would result in a significantly higher/ (lower) fair value.

4.2 Rental Income earned from Investment Property by the Group amounted Rs. 36.75Mn. (2019 - Rs. 36.75Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.58Mn.(2019 - Rs. 1.39Mn.).

4.3 Rental income receivable under the operating lease agreement of investment property as follows;

	Less than 1 year Rs.	1 -2 year Rs.	2 - 3 year Rs.	3 - 4 year Rs.	4 - 5 year Rs.	Over 5 Years Rs.
2019-2020	36,750,000	36,750,000	36,750,000	36,750,000	-	-
2018-2019	36,750,000	36,750,000	36,750,000	36,750,000	36,750,000	-

05. INVESTMENTS IN SUBSIDIARIES

5.1 Quoted & Non-Quoted

	Holding 2020 %	Holding 2019 %	Country of incorporation	Cost 2020 Rs.	Cost 2019 Rs.
Non-Quoted					
Royal Ceramics Distributors (Pvt) Limited	**100**	100	Sri Lanka	**500,000**	500,000
Royal Porcelain (Pvt) Limited	**100**	100	Sri Lanka	**-**	500,000,010
Rocell Bathware Limited	**100**	100	Sri Lanka	**1,529,999,950**	929,999,940
Ever Paint and Chemical Industries (Pvt) Ltd	**100**	100	Sri Lanka	**270,400,000**	270,400,000
Rocell Ceramics Limited	**100**	100	Sri Lanka	**200,287,710**	200,287,710
Rocell (Pty) Ltd	**100**	100	Australia	**282,791,228**	173,225,688
Nilano Garments (Pvt) Ltd	**100**	100	Sri Lanka	**60,000,000**	60,000,000
Swistek Aluminium	**7.60**	7.60	Sri Lanka	**106,344,740**	106,344,740
Quoted					
Lanka Ceramic PLC	**73.56**	73.56	Sri Lanka	**551,039,307**	551,039,307
Lanka Tiles PLC	**2.61**	2.61	Sri Lanka	**125,032,515**	125,032,515
Lanka Walltiles PLC	**54.55**	54.55	Sri Lanka	**3,924,004,105**	3,924,004,105
Swisstek Ceylon PLC	**6.88**	6.88	Sri Lanka	**127,065,816**	127,065,816
Total Quoted & Non-Quoted Investments in Subsidiaries				**7,177,465,371**	6,967,899,831
Total Gross Carrying Value of Investments				**7,177,465,371**	6,967,899,831
Impairment made				**(553,691,228)**	(360,900,000)
Total Net Carrying Value of Investments				**6,623,774,143**	6,606,999,831

NOTES TO THE FINANCIAL STATEMENTS

5.2 Impairment of Investments in Subsidiaries

Ever Paint and Chemical Industries (Pvt) Ltd

In view of the negative net asset position resulting from the continuing losses and with the classification as a discontinued operation, the Company has made a full provision for impairment of the investment in Ever Paint and Chemical Industries (Pvt) Ltd in 2017. The said loss has been eliminated in the consolidated financial statements.

Rocell (Pty) Ltd

The Company has made a full provision for impairment of the investment in Rocell (Pty) Ltd as at the end of the reporting period considering continuous losses and negative net asset position.

6. INVESTMENTS IN ASSOCIATES

6.1 Company

	Holding Percentage		Cost	
	2020 %	2019 %	2020 Rs.	2019 Rs.
Quoted Investments				
L. B. Finance PLC	**26.08%**	26.08%	**2,499,577,145**	2,499,577,145
Non-quoted Investments				
Delmege Limited (Formally know as Lewis Brown & Company Limited)	**21.00%**	21.00%	**663,360,345**	663,360,345
			3,162,937,490	3,162,937,490

6.2 Group

	Holding		Carrying Value	
	2020 %	2019 %	2020 Rs.	2019 Rs.
Quoted Investments				
L. B. Finance PLC	**26.08%**	26.08%	**7,773,807,791**	6,778,216,184
Non-quoted Investments				
Delmege Limited (Formally know as Lewis Brown & Company Limited)	**21.00%**	21.00%	**908,940,819**	871,977,189
			8,682,748,610	7,650,193,373

Market value of L B Finance PLC as at 31 March 2020 is Rs. 4,352,849,456 (2019 - Rs. 4,338,400,163/-)

6.3 Movement in Investments in Associates

	L. B. Finance PLC		Delmege Limited		Total	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
As at the beginning of the year	**6,778,216,184**	5,577,521,981	**871,977,189**	750,797,080	**7,650,193,373**	6,328,319,061
Share of results of associates	**1,358,992,023**	1,324,713,301	**13,980,876**	(20,604,526)	**1,372,972,899**	1,304,108,775
Dividends	**(372,791,754)**	(124,263,918)	**-**	-	**(372,791,754)**	(124,263,918)
Share of Other Comprehensive Income	**9,391,338**	244,820	**22,982,754**	141,784,635	**32,374,092**	142,029,455
At the end of the year	**7,773,807,791**	6,778,216,184	**908,940,819**	871,977,189	**8,682,748,610**	7,650,193,373

07. INTANGIBLE ASSETS

Summary

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Goodwill (Note 7.1)	**-**	-	**1,030,237,456**	1,030,405,680
Software (Note 7.2)	**148,658,193**	165,899,418	**161,252,193**	165,899,418
	148,658,193	165,899,418	**1,191,489,649**	1,196,305,098

7.1 Goodwill

	Group	
	2020 Rs.	2019 Rs.
Balance at the beginning of the year	**1,030,405,680**	1,030,295,492
Effect of change in exchange rate	**(168,224)**	110,188
Balance at the end of the year	**1,030,237,456**	1,030,405,680

Carrying value of Goodwill acquired through business combination as at the reporting date is relevant to Tile & Associated products.

The recoverable amounts of all cash generating units have been determined based on the fair value, less cost to sell or the value in use (VIU) calculation.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The pre-tax discount rate applied to cash flow projections is 13.14%.

The Carrying value of Goodwill as at the reporting date would not be impaired unless a rise in the pre-tax discount rate by 2%.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Growth Rate

The Management has estimated 2% growth rate in the cash flow beyond the seven-year period.

The Carrying value of Goodwill as at the reporting date would not be impaired even at a 0% terminal growth rate.

In determining the recoverable value of each cash generating unit, the group has taken into account possible impacts on cash flows due to the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

7.2 Software

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance at the beginning of the year	**165,899,418**	170,970,148	**165,899,418**	170,970,148
Incurred during the year	**7,275,575**	12,411,828	**20,948,575**	12,411,828
Amount amortised during the year	**(24,516,800)**	(17,482,558)	**(25,595,800)**	(17,482,558)
Balance at the end of the year	**148,658,193**	165,899,418	**161,252,193**	165,899,418

08. LEASES

The effect of adoption SLFRS 16 as at 1 April 2019 is as follows:

	Company 2020 Rs.	Group 2020 Rs.
Assets		
Right of Use Lease Assets	**1,025,249,941**	**1,445,452,742**
Property, Plant and Equipment	**(4,534,132)**	**(178,778,883)**
Leasehold rights over mining lands	**-**	**-**
Lease rentals paid in advance	**(97,144,408)**	**(117,479,631)**
Total Assets	**923,571,401**	**1,149,194,228**
Liabilities		
Interest Bearing Loans and borrowings	**1,043,872,219**	**1,269,495,046**
Deferred Tax Liabilities	**-**	**-**
Trade and Other payables	**(120,300,818)**	**(120,300,818)**
Total Liabilities	**923,571,401**	**1,149,194,228**

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	Company Rs.	Group Rs.
Operating lease commitments as at 31 March 2019	2,091,164,326	2,808,207,845
Incremental borrowing rate as at 1 April 2019	13.5%	12% - 14.44%
Discounted operating lease commitments at 1 April 2019	1,061,917,092	1,471,796,024
Less:		
Commitments related to short-term leases	18,044,873	46,573,531
Add:		
Commitments related to leases previously classified as finance leases	3,819,645	19,133,704
Lease Liabilities as at 1 April 2019	1,047,691,864	1,444,356,197

Set out below are the new accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application.

08.1 Right of Use Assets/ Lease Liabilities- Company

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land Rs.	Building Rs.	Motor vehicles Rs.	Plant & Machinery Rs.	* Land & immovable Estate Assets -Plantation Rs.	Total Rs.	Lease Liability Rs.
Right of Use Asset							
As at 01 April 2019	-	1,020,715,809	4,534,132	-	-	1,025,249,941	
Additions	-	39,690,548	-	-	-	39,690,548	
Balances transferred on Amalgamation	-	60,604,241	330,000	-	-	60,934,241	
Depreciation expense	-	(156,761,388)	(3,326,600)	-	-	(160,087,988)	
As at 31 March 2020	-	964,249,210	1,537,532	-	-	965,786,742	
Lease Liability							
As at 1 April 2019	-	1,043,872,219	3,819,645	-	-		1,047,691,864
Additions	-	18,123,682	-	-	-		18,123,682
Interest Expense	-	142,029,791	220,261	-	-		142,250,052
Balances transferred on Amalgamation	-	53,157,720	268,941	-	-		53,426,661
Less: Payments	-	(184,540,927)	(3,454,358)	-	-		(187,995,285)
As at 31 March 2020	-	1,072,642,485	854,489	-	-		1,073,496,974
Payable within one year							102,542,161
Payable after one year							970,954,813
Total							1,073,496,974

NOTES TO THE FINANCIAL STATEMENTS

08.2 Right of Use Assets/ Lease Liabilities- Group

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land Rs.	Building Rs.	Motor vehicles Rs.	Plant & Machinery Rs.	* Land & immovable Estate Assets -Plantation Rs.	Total Rs.	Lease Liability Rs.
Right of Use Asset							
As at 01 April 2019	58,419,895	1,219,935,284	11,196,975	14,589,589	141,311,000	1,445,452,743	
Remeasurement of leasehold right on initial application of SLFRS 16	-	-	-	-	61,001,000	61,001,000	
Additions	-	208,517,170	-	-	-	208,517,170	
Effect of Exchange Rate Differences	-	-	(183,576)	-	-	(183,576)	
Depreciation expense	(2,511,059)	(238,442,944)	(7,614,642)	(3,087,806)	(13,424,000)	(265,080,451)	
As at 31 March 2020	55,908,836	1,190,009,510	3,398,757	11,501,783	188,888,000	1,449,706,886	
Lease Liability							
As at 1 April 2019	43,758,107	1,225,737,007	11,091,753	8,041,951	88,066,000		1,376,694,818
Remeasurement of leasehold right on initial application of SLFRS 16	-	-	-	-	67,661,379		67,661,379
Adjusted balance as at 1st April 2019	43,758,107	1,225,737,007	11,091,753	8,041,951	155,727,379		1,444,356,197
Interim Remeasurement of leasehold right	-	-	-	-	6,659,589		6,659,589
Additions	-	175,961,818	-	-	-		175,961,818
Interest Expense	6,048,940	163,706,651	645,491	857,495	21,330,957		192,589,534
Less: Payments	(4,324,997)	(269,662,749)	(8,246,813)	(4,437,776)	(27,405,912)		(314,078,247)
As at 31 March 2020	45,482,050	1,295,742,727	3,490,431	4,461,670	156,312,013		1,505,488,891
Payable within one year							196,623,446
Payable after one year							1,308,865,445
Total							1,505,488,891

* Net book value of the lease assets presented under Note 3, Property, Plant and Equipment as at 31 March 2019 has been transferred to Right-to-use Assets with the adoption of SLFRS 16-Leases, with effect from 1 April 2019. Prior period amounts has not been restated.
* Land and immovable Estate Assets of Plantation presented under Note 3.12 and 3.13 for better presentation.
* Useful lives of Right of Use Lease Asset are estimated at the range of 3 - 36years

The following are the amounts recognised in profit or loss:

	Company Rs.	Group Rs.
Depreciation expense of right-of-use assets	**160,087,988**	265,080,453
Interest expense on lease liabilities	**142,250,052**	192,589,534
Expense relating to short-term leases (included in cost of sales)	**1,131,445**	34,702,097
Expense relating to short-term leases (included in distribution expenses)	**19,304,185**	61,111,666
Total amount recognised in profit or loss	**322,773,670**	553,483,750

* Cash outflows from short term leases and leases of low value assets of the Company and of the Group for the year ended 31 March 2020 are Rs. 20,435,630/- and Rs. 95,813,763/-.

09. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Advances Given to Suppliers	**41,304,331**	-	**41,304,331**	65,631,707
Advance Company Tax Receivable	**-**	-	**27,285,000**	27,285,000
	41,304,331	-	**68,589,331**	92,916,707

10. INVENTORIES

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Raw Materials	**491,318,436**	361,506,557	**3,339,187,939**	3,349,955,454
Spares & Consumables	**747,211,271**	357,722,069	**1,456,848,918**	1,376,558,362
Accessories	**-**	-	**649,494,736**	761,311,776
Harvested crops	**-**	-	**153,484,145**	272,712,333
Non-harvested Produce on Bearer Biological Assets	**-**	-	**3,361,266**	5,845,239
Work in Progress	**64,021,924**	44,061,955	**446,949,007**	436,826,458
Finished Goods	**3,435,221,066**	1,175,783,860	**10,942,773,237**	8,579,205,261
Goods in Transit	**17,397,828**	12,434,605	**406,154,787**	163,905,759
Other Consumables	**14,961,788**	4,183,377	**23,770,711**	15,821,189
	4,770,132,313	1,955,692,423	**17,422,024,746**	14,962,141,831
Less : Provision for Obsolete & Slow Moving Stock	**(146,919,296)**	(43,900,871)	**(423,896,637)**	(340,373,530)
	4,623,213,017	1,911,791,552	**16,998,128,109**	14,621,768,301

These inventories include finished goods of Rs. 10.7Bn (2019 - Rs. 8.4Bn) and general stocks representing raw materials, spares and consumables of Rs. 3.4 Bn (2019 - Rs. 3Bn) relating to the Tiles and Accessories items and Sanitaryware Segments.

NOTES TO THE FINANCIAL STATEMENTS

10.1 Provision for Obsolete & Slow Moving Stock

	Company	
	2020 Rs.	2019 Rs.
At the beginning of the year	**43,900,871**	33,763,348
Provisions made during the year	**59,388,825**	10,137,523
Balances transferred on Amalgamation	**43,629,600**	-
At the end of the year	**146,919,296**	43,900,871

11. TRADE AND OTHER RECEIVABLES

11.1 Company

	Company	
	2020 Rs.	2019 Rs.
Trade debtors - Other	**681,922,299**	373,143,999
- Related Parties (11.1.1)	**8,332,405**	3,878,566
Trade Debtors	**690,254,704**	377,022,565
Provision for Bad and Doubtful Debts (11.1.2)	**(41,894,447)**	(3,491,392)
	648,360,257	373,531,173
Other Receivables - Other	**46,092,007**	84,412,924
- Related Parties (Note 11.1.3)	**158,057,224**	157,459,056
Dividend Receivables	**-**	91,989,044
	852,509,488	707,392,197

11.1.1 Trade Debtors includes following related party receivables,

	Relationship	Company	
		2020 Rs.	2019 Rs.
Delmege Forsyth Co. Ltd	Affiliate	**4,093,345**	70,560
Haycarb PLC	Affiliate	**305,792**	-
Kelani Valley Plantations PLC	Affiliate	**23,094**	-
Rocell Bathware Limited	Subsidiary	**19,379**	-
Rocell Pty Limited	Subsidiary	**2,231,154**	2,414,511
Nilano Garments (Pvt) Ltd	Subsidiary	**-**	1,122,994
The Kingsbury PLC	Affiliate	**1,659,641**	50,575
Lanka Ceramic PLC	Subsidiary	**-**	219,926
		8,332,405	3,878,566

11.1.2 Allowances for Doubtful Debts

	Company	
	2020 Rs.	2019 Rs.
Balance at the beginning of the year	**(3,491,392)**	(976,985)
Amount (provided)/reversal during the year	**(13,797,703)**	(2,514,407)
Balances transferred on Amalgamation	**(24,605,352)**	-
Balance at the end of the year	**(41,894,447)**	(3,491,392)

11.1.3 Amount due from Related Parties

	Relationship	Company	
		2020 Rs.	2019 Rs.
Royal Ceramics Distributors (Pvt) Ltd	Subsidiary	**1,683,115**	1,512,497
Vallibel One PLC	Parent	**16,293,026**	4,311,149
Rocell (Pty) Ltd.	Subsidiary	**27,122,329**	26,807,671
Rocell Ceramics Ltd	Subsidiary	**13,228,077**	10,410,250
Lanka Tiles PLC	Subsidiary	**16,345,181**	4,220,490
Lanka Wall Tiles PLC	Subsidiary	**12,420,034**	13,854,783
Ever Paint and Chemical Industries (Pvt) Ltd	Subsidiary	**406,280,155**	406,967,789
Swisstek Ceylon PLC	Subsidiary	**374,299**	4,022,298
Uni-Dil Packaging Limited	Subsidiary	**47,671,464**	47,671,464
		541,417,680	519,778,391
Impairment Provision		**(383,360,456)**	(362,319,335)
		158,057,224	157,459,056

11.1.4 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor Impaired	Past due but not impaired			Impaired	Provision for Impairment
			Less Than 3 Month	3 to 12 Month	More Than One Year		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors							
2020	648,360,257	163,218,647	334,362,864	129,098,019	63,575,174	-	(41,894,447)
2019	373,531,173	151,325,140	164,980,370	58,794,991	1,922,064	-	(3,491,392)

NOTES TO THE FINANCIAL STATEMENTS

11.2 GROUP

	Group	
	2020 Rs.	2019 Rs.
Trade debtors - Other	**3,744,782,340**	4,104,272,443
- Related Parties (11.2.1)	**13,418,379**	4,696,064
Trade Debtors	**3,758,200,719**	4,108,968,507
Provision for Bad and Doubtful Debts	**(116,419,241)**	(79,160,745)
	3,641,781,478	4,029,807,762
Loans to company officers	**38,601,278**	38,093,678
Other Receivables -Others	**350,197,572**	382,367,278
- Related Parties (Note 11.2.2)	**16,293,026**	4,311,149
	4,046,873,354	4,454,579,867

11.2.1 Trade Debtors includes following related party receivables,

	Relationship	2020 Rs.	2019 Rs.
L B Finance PLC	Associate	**-**	276,901
Singer (Sri Lanka) PLC	Affiliate	**863,567**	1,466,682
Singhe Hospitals PLC	Affiliate	**71,877**	17,280
The Kingsbury PLC	Affiliate	**1,699,691**	82,918
Delmege Forsyth & Co.Ltd	Associate	**8,025,845**	441,322
Greener Water Limited	Affiliate	**58,952**	58,952
HJS Condiments Ltd.	Affiliate	**-**	83,009
Kandyan Resorts (Pvt) Ltd	Affiliate	**-**	284,286
Hayleys Agriculture Holding	Affiliate	**391,025**	129,552
Hayleys Agro Fertilizer	Affiliate	**75,947**	558,385
Talawakelle Plantations PLC	Affiliate	**-**	50,215
Talawakelle Tea Estates PLC	Affiliate	**48,875**	-
Kelani Valley Plantations PLC	Affiliate	**1,587,814**	882,929
MN Properties (Pvt) Ltd	Affiliate	**161,936**	363,633
Waskaduwa Beach Resorts PLC	Affiliate	**37,605**	-
Hayleys Advantis Ltd	Affiliate	**89,453**	-
Haycarb PLC	Affiliate	**305,792**	-
		13,418,379	4,696,064

11.2.2 Other Receivables includes following related party receivables,

	Relationship	2020 Rs.	2019 Rs.
Vallibel One PLC	Parent	**16,293,026**	4,311,149
		16,293,026	4,311,149

11.2.3 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor Impaired	Past due but not impaired			Impaired	Provision for Impairment
			Less Than 3 Month	3 to 12 Month	More Than One Year		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors							
2020	3,641,781,478	1,521,415,467	1,473,453,940	591,289,826	140,392,485	31,471,134	(116,241,374)
2019	4,029,807,762	2,519,309,847	1,012,758,227	453,124,917	76,641,516	47,134,000	(79,160,745)

11.2.4 Allowances for Doubtful Debts

	2020 Rs.	2019 Rs.
Balance at the beginning of the year	**79,160,745**	65,700,294
Amount provided/(reversal) during the year	**37,258,496**	13,460,451
Balance at the end of the year	**116,419,241**	79,160,745

11.3 Contract Assets

	Group	
	2020 Rs.	2019 Rs.
As at 1st April	**58,269,049**	-
During the year recognised / (reversal)	**(20,190,270)**	58,269,049
As at 31st March	**38,078,779**	58,269,049

The contract assets primarily relate to Swisstek Ceylon PLC rights to consideration for work completed but not billed at the reporting date on supply of timber. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

NOTES TO THE FINANCIAL STATEMENTS

12. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Receivables - Other	**63,394,069**	7,264,282	**90,789,278**	61,820,048
Advances and Prepayments	**272,118,224**	266,828,783	**1,144,182,979**	965,550,947
	335,512,293	274,093,065	**1,234,972,257**	1,027,370,995

13. OTHER FINANCIAL ASSETS

13.1 Current - Company/Group

Investments at fair Value Through Profit or Loss	Fair Value					
	No. of Shares		Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Quoted						
The Fortress Resorts PLC	**336,100**	336,100	**2,621,580**	3,361,000	**2,621,580**	3,361,000
Aitken Spence PLC	**225,000**	225,000	**6,907,500**	9,225,000	**6,907,500**	9,225,000
Lanka Hospitals Corporation PLC	**45,519**	45,519	**1,251,773**	1,989,180	**1,251,773**	1,989,180
Citrus Leisure PLC	**2,768,276**	2,768,276	**16,056,001**	11,626,759	**16,056,001**	11,626,759
Serendib Hotels PLC	**16,000**	16,000	**337,600**	254,400	**337,600**	254,400
Softlogic Finance PLC	**8**	8	**92**	173	**92**	173
Kalpitiya Beach Resorts Ltd	**-**	-	**1,866,858**	2,158,554	**1,866,858**	2,158,554
			29,041,404	28,615,066	**29,041,404**	28,615,066
Non-Quoted						
MBSL Insurance	**4,666,667**	4,666,667	**8,666,667**	8,666,667	**8,666,667**	8,666,667
Impairment			**(8,666,667)**	(8,666,667)	**(8,666,667)**	(8,666,667)
			29,041,404	28,615,066	**29,041,404**	28,615,066

13.2 Bank Term Deposits

	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Term Deposit-USD	**-**	36,143,386	**-**	53,727,020
Term Deposit-AUD	**45,198,876**	-	**52,949,036**	46,700,684
Deposit of Tsunami donations	**-**	-	**3,753,690**	3,499,474
	45,198,876	36,143,386	**56,702,726**	103,927,178
Total	**74,240,280**	64,758,452	**85,744,130**	132,542,244

14. STATED CAPITAL - COMPANY/GROUP

	2020		2019	
	Number	Rs.	Number	Rs.
Balance as at 01 April	**110,789,384**	1,368,673,373	**110,789,384**	1,368,673,373
Balance as at 31 March	**110,789,384**	1,368,673,373	**110,789,384**	1,368,673,373

15. RESERVES

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Summary				
Revaluation Reserve (Note 15.1)	**1,192,935,268**	830,590,905	**2,959,757,538**	2,935,874,612
Available for sale reserve (Note 15.2)	**-**	-	**-**	-
Fair Value Reserve (Note 15.3)	**-**	-	**(27,704,969)**	(19,732,588)
Exchange Differences on translation of foreign operations (Note 15.4)	**-**	-	**41,187,869**	17,068,601
	1,192,935,268	830,590,905	**2,973,240,438**	2,933,210,625

15.1 Revaluation Reserve

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
On: Property, Plant and Equipment				
As at 1 April	**830,590,905**	830,590,905	**2,935,874,612**	2,638,434,432
Revaluation of surplus during the year	**-**	-	**27,707,760**	275,152,659
Balances transferred on Amalgamation (Note 40)	**362,344,363**	-	**-**	-
Realised Surplus on Disposal Transferred to Retained Earnings	**-**	-	**-**	(1,180,020)
Tax effect on Revaluation Surplus	**-**		**(3,824,834)**	23,467,541
As at 31 March	**1,192,935,268**	830,590,905	**2,959,757,538**	2,935,874,612

The above revaluation surplus consists of net surplus resulting from the revaluation of property plant and equipment as described in Note 3. The unrealised amount cannot be distributed to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

15.2 Available for Sale Reserve

	Group	
	2020 Rs.	2019 Rs.
As at 1 April	-	5,967,555
Transfers made during the financial year / Fair Value Gains and Losses arising on Remeasuring Available for Sale Financial Assets	-	(5,967,555)
As at 31 March	-	-

The available-for-sale reserve comprises the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

15.3 Fair Value Reserve

	Group	
	2020 Rs.	2019 Rs.
As at 1 April	**(19,732,588)**	-
Transfers made during the financial year / Net Gains /(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	**(7,972,381)**	(19,732,588)
As at 31 March	**(27,704,979)**	(19,732,588)

The fair value through other comprehensive income reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until they are derecognised or impaired. Due to the adoption of SLFRS 09, the balance of the available for sale reserve was transferred to fair value through other comprehensive income reserve.

15.4 Foreign Currency Translation Reserve

	Group	
	2020 Rs.	2019 Rs.
As at 1 April	**17,068,601**	8,113,059
Transferred during the year,net of tax	**24,119,268**	8,955,542
As at 31 March	**41,187,869**	17,068,601

16. INTEREST BEARING LOANS AND BORROWINGS

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Non Current				
Long term loans (16.1)	**1,960,609,552**	2,958,383,445	**4,631,625,826**	6,571,726,503
Lease Liability (16.3)	**970,954,813**	856,416	**1,308,865,445**	89,011,632
	2,931,564,365	2,959,239,861	**5,940,491,271**	6,660,738,135
Current				
Long term loans (16.1)	**1,411,499,420**	1,274,451,066	**2,564,877,486**	2,473,792,995
Lease Liability (16.3)	**102,542,161**	2,963,229	**196,623,446**	18,188,455
Short term loans (16.2)	**1,941,114,937**	352,773,200	**7,054,528,288**	5,798,179,480
Bank overdrafts (21.2)	**1,333,185,170**	294,837,331	**5,076,157,578**	3,924,122,695
	4,788,341,688	1,925,024,826	**14,892,186,798**	12,214,283,624
Total	**7,719,906,053**	4,884,264,687	**20,832,678,069**	18,875,021,759

16.1 Long Term Loans

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
At the beginning of the year	**4,232,834,511**	4,279,784,097	**9,045,519,497**	8,199,101,336
Loans obtained during the year	**34,600,000**	1,006,042,619	**531,762,982**	3,156,841,725
Balances transferred on Amalgamation	**453,808,300**	-	**-**	-
Exchange gain/loss on USD loans	**8,946,563**	-	**14,847,026**	29,657,555
Transfer to discontinued Operations	**-**	-	**-**	-
Repayments during the year	**(1,358,080,402)**	(1,052,992,205)	**(2,395,626,193)**	(2,340,081,118)
At the end of the year	**3,372,108,972**	4,232,834,511	**7,196,503,312**	9,045,519,498
Payable within one year	**1,411,499,420**	1,274,451,066	**2,564,877,486**	2,473,792,995
Payable after one year	**1,960,609,552**	2,958,383,445	**4,631,625,826**	6,571,726,503
	3,372,108,972	4,232,834,511	**7,196,503,312**	9,045,519,498

NOTES TO THE FINANCIAL STATEMENTS

16.2 Short Term Loans

	Company		Group	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	**352,773,199**	358,677,949	**5,798,179,480**	4,399,223,969
Loans obtained during the year	**4,114,951,481**	1,211,540,564	**20,940,276,852**	15,003,756,979
Balances transferred on Amalgamation	**1,786,860,036**	-	**-**	-
Repayments during the year	**(4,313,469,779)**	(1,217,445,313)	**(19,683,928,044)**	(13,604,801,468)
At the end of the year	**1,941,114,937**	352,773,200	**7,054,528,288**	5,798,179,480
Payable within one year	**1,941,114,937**	352,773,200	**7,054,528,288**	5,798,179,480
Payable after one year	**-**	-	**-**	-
	1,941,114,937	352,773,200	**7,054,528,288**	5,798,179,480

16.3 Leases

	Company		Group	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Lease Liability-Plantation (16.3.1)	**-**	-	**156,312,013**	88,066,000
Lease Liability-Others (8.1)	**1,073,496,974**	3,819,645	**1,349,176,878**	19,134,087
Total Lease Liability	**1,073,496,974**	3,819,645	**1,505,488,891**	107,200,087
Payable within one year	**102,542,161**	2,963,229	**196,623,446**	18,188,455
Payable after one year	**970,954,813**	856,416	**1,308,865,445**	89,011,632
Total	**1,073,496,974**	3,819,645	**1,505,488,891**	107,200,087

16.3.1 JEDB/SLSPC Estates

Investments at fair Value Through Profit or Loss	Group					
	2020			2019		
	Gross Liability	Future Finance	Net Liability	Gross Liability	Future Finance	Net Liability
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1st April	**141,228,582**	**(53,162,582)**	**88,066,000**	146,055,000	(56,593,529)	89,461,471
Initial remeasurement of lease liability as at 1st April 2019	**418,538,521**	**(350,877,142)**	**67,661,379**	-	-	-
Adjusted balance as at 1st April 2019	**559,767,103**	**(404,039,724)**	**155,727,379**	146,055,000	(56,593,529)	89,461,471
Interim remeasurement of right-of-use asset as at 1st July 2019	**23,696,712**	**(17,037,123)**	**6,659,589**	-	-	-
	583,463,815	**(421,076,847)**	**162,386,968**	146,055,000	(56,593,529)	89,461,471
GDP Deflator Due	**-**	**-**	**-**	15,967,652	-	15,967,652
Repayments during the year	**(27,405,912)**	**-**	**(27,405,912)**	(20,794,070)	-	(20,794,070)
Interest Expense for the year	**-**	**21,330,957**	**21,330,957**	-	3,430,947	3,430,947
At the end of the year	**556,057,903**	**(399,745,890)**	**156,312,013**	141,228,582	(53,162,582)	88,066,000
Payable as follows :						
Payable within One Year						
Overdue	**-**	**-**	**-**	5,300,582	-	5,300,582
Payable by due dates	**22,108,802**	**(21,412,850)**	**695,952**	5,228,000	(3,360,000)	1,868,000
	22,108,802	**(21,412,850)**	**695,952**	10,528,582	(3,360,000)	7,168,582
Payable after One Year :-						
Payable within Two to Five Years	**88,964,756**	**(84,584,640)**	**4,380,116**	20,912,000	(12,659,582)	8,252,418
Payable after Five Years	**444,984,345**	**(293,748,400)**	**151,235,945**	109,788,000	(37,143,000)	72,645,000
	533,949,101	**(378,333,040)**	**155,616,061**	130,700,000	(49,802,582)	80,897,418
Total Payable	**556,057,903**	**(399,745,890)**	**156,312,013**	141,228,582	(53,162,582)	88,066,000

16.3.2 On transition to SLFRS 16, the Company recognized an additional Rs. 67.661Mn of lease liabilities as at 1st April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1st April 2019 was 14.44%. The rental payable under the JEDB/SLSPC lease is Rs. 5.526Mn per annum until 21st July 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

The expected rental payable under the Dumbara lease is Rs. 134,125/- per annum from 2022 onwards with an increment of 5% in every five years.

NOTES TO THE FINANCIAL STATEMENTS

16.4 Details of the Long Term Loans;

Lender	Approved Facility	Interest Rate	Repayment Terms		Security	Security Amount Rs.Mn	Balance As At 31st March 2020 Rs.Mn	Balance As At 31st March 2019 Rs.Mn
Company : Royal Ceramics Lanka PLC								
Commercial Bank of Ceylon PLC	Rs. 3.0Bn	Fixed	8 years-(first 48 monthly instalment of Rs. 20Mn each and subsequent 48 monthly instalments of Rs. 42.5Mn each		Tripartite agreement between the company /custodian company and bank over a portfolio of 29,710,800 shares of Lanka Walltiles PC and 2,009,036 shares of Lanka Ceramics PLC.	3Bn	1360	1870
Commercial Bank of Ceylon PLC	Rs. 109Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,816,700 each and final instalment of Rs. 1,814,700				7.26	29.06
Commercial Bank of Ceylon PLC	Rs. 95Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,585,000 each and final instalment of Rs. 1,485,000				23.67	42.69
Commercial Bank of Ceylon PLC	Rs. 200Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 3,335,000 and a final instalment of Rs. 3,235,000 after a grace period of 6 months		Secondary Mortgage bond over the property at Baddegedaramulla, Meegoda for Rs 200Mn	Rs. 200Mn	79.94	119.96
Commercial Bank of Ceylon PLC	Rs. 100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,667,000 and a final instalment of Rs. 1,647,000 after a grace period of 6 months		Leeway in existing facilities	Rs. 100Mn	8.95	28.95
Commercial Bank of Ceylon PLC	Rs. 150Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months		Primary, secondary and tertiary Mortgage bond over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03. Rs. 510Mn	Rs. 150Mn	65	95
Commercial Bank of Ceylon PLC	Rs. 150Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months		Floating primary mortgage bond for Rs. 150Mn executed over the property at Dehiwala.	Rs. 150Mn	70	100
Commercial Bank of Ceylon PLC	AUD 2,407,000	MP bid and offer rate plus margin	59 equal monthly instalments of AUD. 40,100 each and the final instalment of AUD 41,100		Leeway in existing facilities	AUD 2,407,000	67.791	134.75
Commercial Bank of Ceylon PLC	Rs. 500Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 8,334,000 after a grace period of 6 months		Primary mortgage bond for Rs. 500Mn over machinery.	Rs. 500Mn	274.98	374.99
Commercial Bank of Ceylon PLC	Rs. 106Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,766,000 and the final instalment of Rs. 1,806,000		Simple deposit of 10,633,974 shares of Swisstek Aluminum Ltd.	Rs.106Mn	49.48	70.68
Commercial Bank of Ceylon PLC	Rs. 100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,666,000 and the final instalment of Rs. 1,706,000		Primary, secondary and tertiary Mortgage bond over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03. Rs. 510Mn.	Rs.100Mn	51.68	71.67
Commercial Bank of Ceylon PLC	Rs. 152Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 2,550,000 each and the final instalment of 1,550,000				98.45	129.05
Commercial Bank of Ceylon PLC	Rs. 500Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 8,400,000 each and the final instalment of Rs. 4,400,000		Leeway in existing securities.	Rs. 500Mn	322	422.08
DFCC Bank PLC	Rs. 292Mn	AWPLR plus margin	60 equal monthly instalment after a grace period of 12 months		Land and building bearing assessment No 223, Nawala Road,Narahenpita containing in extent Ao-Ro-Po5.4 of Royal Ceramics Lanka PLC (Plan no 3534).	Rs. 292Mn	147.629	204.39
Hatton National Bank PLC	Rs. 100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1.67Mn and the final instalment of Rs. 1.47Mn		Existing primary mortgage bond For Rs. 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon	Rs. 100Mn	-	1

NOTES TO THE FINANCIAL STATEMENTS

Lender	Approved Facility	Interest Rate	Repayment Terms		Security	Security Amount Rs.Mn	Balance As At 31st March 2020 Rs.Mn	Balance As At 31st March 2019 Rs.Mn
Hatton National Bank PLC	Rs. 50Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 833,400 and a final instalment of Rs. 770,400 after a grace period of 6 months		Existing primary mortgage bond For Rs. 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon	Rs. 50Mn	-	5.82
Hatton National Bank PLC	Rs. 23Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 383,400 and a final instalment of Rs. 379,400 after a grace period of 6 months				-	4.21
Hatton National Bank PLC	Rs. 7Mn	AWPLR plus margin	59 equal monthly instalment of Rs. 116,700 and a final instalment of Rs. 114,700 after a grace period of 6 months				-	1.28
Hatton National Bank PLC	Rs. 14Mn	AWPLR plus margin	59 equal monthly instalment of Rs. 233,330 and a final instalment of Rs. 233520				2.56	5.36
Hatton National Bank PLC	Rs. 28.5Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 475,000				8.07	14.25
Hatton National Bank PLC	Rs. 5.5Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 91,600 and a final instalment of Rs. 95,600				1.56	2.75
Hatton National Bank PLC	Rs. 12.9Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 215,000				3.87	6.45
Hatton National Bank PLC	Rs. 130Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 2.15Mn each and a final instalment of Rs. 3.15Mn		Tripartite agreement between Royal Ceramics Lanka PLC, Hatton National Bank PLC and share brokering company along with irrevocable power of attorney over 1,000,000 Nos company shares of Lanka Ceramics PLC.	Rs. 130Mn	41.85	67.65
Hatton National Bank PLC	Rs. 500Mn	AWPLR plus margin	47 equal monthly instalments of Rs. 10,400,000 and a final instalment of Rs. 11,200,000		Existing primary mortgage bond For Rs. 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon(including the existing building or the buildings which are to be constructed in the future. Negative pledge over machinery for Rs. 233Mn to be obtained	Rs. 500Mn	130.20	255
Hatton National Bank PLC	Rs. 175Mn	AWPLR plus margin	66 months in 59 equal monthly instalments of Rs. 2,900,000 and a final instalment of 3,900,000 with a grace period of 6 months		Negative Pledge Over Machinery	Rs. 175Mn	143.10	175
Commercial Bank of Ceylon PLC	Rs. 28Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 466,700 and a final instalment of Rs. 464,700 commencing from 25th August 2015				1.86	-
Commercial Bank of Ceylon PLC	Rs. 114Mn	AWPLR plus margin	59 equal monthly instalments		Primary mortgage bond over Land at Marawila	Rs. 114Mn	40.37	-
Hatton National Bank PLC	Rs. 300Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 5,000,000 plus interest commencing after a grace period of six months.				115	-
Hatton National Bank PLC	Rs. 200Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 3,33Mn each and final instalment of Rs. 3.53Mn plus interest commencing after a grace period of six months.				77.81	-
Hatton National Bank PLC	Rs. 90Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 1.5Mn each plus interest commencing after a grace period of six months.		Negative Pledge Over Machinery	Rs. 90Mn	57	-
Hatton National Bank PLC	Rs. 100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1.66Mn each and final instalment of Rs. 2.06Mn plus interest commencing after a grace period of six months		Negative Pledge Over Heat Recovery System	Rs. 37.2Mn	86.72	-
Hatton National Bank PLC	Rs. 45Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 75Mn each plus interest commencing after a grace period of		Negative Pledge Over Machinery	Rs. 45Mn	35.25	-
							3372.05	4232.04

NOTES TO THE FINANCIAL STATEMENTS

Lender	Approved Facility	Interest Rate	Repayment Terms		Security	Security Amount Rs.Mn	Balance As At 31st March 2020 Rs.Mn	Balance As At 31st March 2019 Rs.Mn
Commercial Bank of Ceylon PLC	Rs. 67Mn	AWPLR plus margin	60 equal monthly instalments with six months grace period commencing from June-2014		Mortgage over Digital Ceramic Printing Machine	Rs. 67Mn	-	2.33
Commercial Bank of Ceylon PLC	Rs. 200Mn	AWPLR plus margin	60 equal monthly instalments with six months grace period commencing from May-2014		Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Limited	Rs. 200Mn	-	2.35
Commercial Bank of Ceylon PLC	Rs. 37Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 615,000 and a final instalment of Rs. 715,000 following the grace period of 6 months		Primary Mortgage over the Automatic easy Line Sorting Line	Rs. 37Mn	-	3.83
Commercial Bank of Ceylon PLC	Rs. 28Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 466,700 and a final instalment of Rs. 464,700 commencing from 25th August 2015				-	7.46
Commercial Bank of Ceylon PLC	Rs. 114Mn	AWPLR plus margin	59 equal monthly instalments		Primary mortgage bond over Land at Marawila to be executed	Rs.114Mn	-	68.87
Hatton National Bank PLC	Rs. 300Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 5,000,000 plus interest commencing after a grace period of six months.				-	175
Hatton National Bank PLC	Rs. 200Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 3,33Mn each and final instalment of Rs. 3.53Mn plus interest commencing after a grace period of six months.				-	120.37
Hatton National Bank PLC	Rs. 90Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 1.5Mn each plus interest commencing after a grace period of six months.		Negative Pledge Over Machinery	Rs. 90Mn	-	75
Hatton National Bank PLC	Rs. 100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1.66Mn each and final instalment of Rs. 2.06Mn plus interest commencing after a grace period of six months		Negative pledge over Heat Recovery system	Rs. 37.2Mn	-	37.2
Hatton National Bank PLC	Rs. 45Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 75Mn each plus interest commencing after a grace period of six months		Negative Pledge Over Machinery	Rs. 45Mn	-	44.25
							-	536.66
Company : Rocell Bathware Limited								
Hatton National Bank PLC	Rs. 20Mn	AWPLR plus margin	64 equal monthly instalments		Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 20Mn	5.33	9.33
Commercial Bank of Ceylon PLC	Rs. 25Mn	AWPLR plus margin	53 equal monthly instalments with a six months grace period		Primary Mortgage bond over Water closet casting machine for 25Mn	Rs. 25Mn	3.7	9.25
Commercial Bank of Ceylon PLC	Rs. 210Mn	AWPLR plus margin	60 equal monthly instalment of Rs. 3,500,000 with a grace period of six months		Primary mortgage bond over the shuttle Kiln burner machine for Rs. 210Mn	Rs. 210Mn	71.564	113.56
Commercial Bank of Ceylon PLC	Rs. 57.7Mn	AWPLR plus margin	59 equal monthly instalment of Rs. 961,600 and a final instalment of Rs. 965,600 with a grace period of six months		Primary Mortgage bond over Water Closet casting Machine, stock tank propeller dissolver and modification to the existing glazing cell for Rs. 57.7Mn	Rs. 57.7Mn	15.95	28.79
Commercial Bank of Ceylon PLC	Rs. 70Mn	AWPLR plus margin	59 equal monthly instalment of Rs. 1,165,000 and a final instalment of Rs. 1,265,000 with a grace period of six months		Corporate Guarantee-Royal Ceramics Lanka PLC	Rs. 70Mn	25.73	39.71
Commercial Bank of Ceylon PLC	Rs. 300Mn	AWPLR plus margin	60 equal monthly instalment of Rs. 5,000,000 with a grace period of six months		Primary Mortgage bond over Water Closet Machine, water treatment plant, Central UPS system for 240Mn to be executed. Corporate Guarantee-Royal Ceramics Lanka PLC	Rs. 240Mn Rs. 60Mn	63.884	124.17
Peoples Bank	Rs. 160Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 2.7Mn each and final instalment of Rs. 0.7Mn after a grace period of six months.		Corporate guarantee-Royal Ceramics Lanka PLC	Rs. 200Mn	65.5	97.9
							251.658	422.71

NOTES TO THE FINANCIAL STATEMENTS

Lender	Approved Facility	Interest Rate	Repayment Terms		Security	Security Amount Rs.Mn	Balance As At 31st March 2020 Rs.Mn	Balance As At 31st March 2019 Rs.Mn
Company : Rocell (Pty) Ltd								
Commercial Bank of Ceylon PLC	AUD 1,175,000	Fixed	60 equal monthly instalments		Corporate Guarantee of Royal Ceramics Lanka PLC	AUD 1,175,000	47.82	78.19
							47.82	78.19
Lanka Ceramic PLC								
Hatton National Bank PLC	Rs. 500Mn	AWPLR plus margin	60 monthly instalments		Mortgage for Rs. 500Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1,12P).	Rs. 500Mn	95.88	120.839
							95.88	120.839
Lanka Walltiles PLC								
Commercial Bank of Ceylon PLC	Rs. 584Mn	AWPLR plus margin	60 monthly instalments		Tripartite agreement for Rs. 392.8Mn between Bank, Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC	Rs. 584Mn	58.04	165.18
DFCC Bank PLC	Rs. 100Mn	AWDR plus margin	48 monthly instalments		Corporate Grantee from Lanka Tiles PLC.	Rs. 100Mn	72.917	95.83
							130.957	261.01
Lanka Tiles PLC								
DFCC Bank PLC	Rs. 165Mn	AWPLR plus margin	84 monthly instalments		A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 300Mn	Rs. 300Mn	-	5.893
DFCC Bank PLC	Rs. 80Mn	AWPLR plus margin	54 monthly instalments		A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 300Mn		-	1.481
DFCC Bank PLC	Rs. 1,500Mn	AWPLR plus margin	72 monthly instalments 12 month Grace period		A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 1,500Mn	Rs. 1,500Mn	1466.342	1455.336
							1466.342	1462.71
Uni-Dil Packaging Limited								
Standard Chartered Bank	USD 310,000	LIBOR plus margin	US $ 114,079 Quarterly instalments		Primary concurrent Mortgage bond for Rs. 170Mn over Property	USD 310,000	146.306	180.793
							146.306	180.793

NOTES TO THE FINANCIAL STATEMENTS

Lender	Approved Facility	Interest Rate	Repayment Terms		Security	Security Amount Rs.Mn	Balance As At 31st March 2020 Rs.Mn	Balance As At 31st March 2019 Rs.Mn
Horana Plantations PLC								
Hatton National Bank PLC	Rs. 150Mn	AWPLR plus margin	72 monthly instalments				21.9	686.49
	Rs. 200Mn	AWPLR plus margin			Primary mortgage for 550Mn over the leasehold rights of Frocester Estate	Rs. 550Mn	50.15	-
	Rs. 200Mn	AWPLR plus margin					73.28	-
	Rs. 250Mn	AWPLR plus margin			Primary mortgage for 400Mn over the leasehold rights of Bambrakelly Estate	Rs. 400Mn	192.8	-
	Rs. 200Mn	AWPLR plus margin					200	-
Hatton National Bank PLC	Rs. 100Mn	AWPLR plus margin	60 monthly instalments		Primary mortgage over leasehold rights of Alton, Bambarakelly,Eildon Hall and Gouravilla		28.24	44.42
Hatton National Bank PLC	Rs. 130.114Mn	AWPLR plus margin	60 monthly instalments		Primary mortgage over leasehold rights of Bambarakelly Estate		17.352	43.57
Sri Lanka Tea Board	Rs. 33Mn	AWPLR plus margin	36 monthly instalments 24 months grace period.		No security has been offered		4.583	14.666
Industry Distress Financing Facility	Rs. 46.935Mn	Fixed	36 monthly instalments		No security has been offered		2.796	17.76
Commercial Bank of Ceylon PLC	Rs.100Mn	AWPLR plus margin	48 monthly instalments, After a 24 months grace period.		Primary Floating Mortgage for Rs. 120Mn, over the leasehold rights land and buildings of Stockholm Estate.	Rs. 120Mn	90.27	100
Sampath Bank PLC	Rs.100Mn	AWPLR plus margin	72 monthly instalments,After a 24 months grace period.		Primary Mortgage for Rs. 200Mn, over the leasehold rights land and buildings of Gouravilla Estate.	Rs. 200Mn	200	-
Hatton National Bank PLC	Rs.150Mn	AWPLR plus margin	60 monthly instalments		Primary mortgage over leasehold rights of Alton, Bambarakelly,Eildon Hall and Gouravilla		150	-
							1031.371	906.906
Swisstek (Ceylon) PLC								
Bank of Ceylon	Rs.170Mn	AWPLR plus margin	54 monthly instalments		Mortgage over immovable property at Balummahara, Imbulgoda		124.99	118.99
Commercial Bank of Ceylon PLC	Rs. 35Mn	AWPLR plus margin	60 monthly instalments		Mortgage over immovable property at Balummahara, Imbulgoda		24.47	31.49
DFCC Bank PLC	Rs. 110Mn	AWPLR plus margin	60 monthly instalments		Mortgage over land,building,plant & machinery ,stocks and book debt own by Swisstek Aluminum Ltd		102.736	111
							252.196	261.48
Swisstek Aluminum Limited								
DFCC Bank PLC	Rs. 10Mn	AWPLR plus margin	60 monthly instalments		Mortgage over land, building, plant & machinery		-	1.502
	Rs. 500Mn	AWPLR plus margin	60 monthly instalments		Mortgage over land, building, plant & machinery	Rs. 500Mn	333.333	441.666
	Rs. 193.032Mn	AWPLR plus margin	60 monthly instalments		Mortgage over moveable machinery	Rs. 200Mn	63.226	113.807
Hatton National Bank PLC	Rs. 80Mn	AWPLR plus margin	48 monthly instalments				5.3	25.22
							401.859	582.195
Total Long Term Loans - Group							7,196.50	9,045.20

NOTES TO THE FINANCIAL STATEMENTS

17. RETIREMENT BENEFIT LIABILITIES

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
At the beginning of the year	**261,491,545**	245,857,725	**1,318,885,958**	1,180,729,942
Interest cost	**39,908,035**	24,585,773	**137,871,482**	114,892,627
Current service cost	**28,388,732**	20,295,668	**112,869,469**	81,232,980
Benefits Paid	**(17,600,422)**	(11,922,191)	**(141,215,402)**	(112,497,831)
Acturial (gain)/loss	**13,114,414**	(17,325,430)	**53,376,792**	54,528,240
Balances transferred on Amalgamation	**106,892,334**	-	**-**	-
At the end of the year	**432,194,638**	261,491,545	**1,481,788,299**	1,318,885,958

17.1 Maturity Profile of the Retirement benefit liabilities

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Future Working Life Time				
Within the next 12 months	**81,099,074**	52,052,850	**258,299,351**	242,418,054
Between 1-2 Years	**120,730,737**	61,205,506	**278,593,977**	255,112,596
Between 2-5 Years	**110,163,414**	72,035,857	**327,320,793**	302,536,665
Over 5 Years	**120,201,413**	76,197,332	**617,574,178**	518,818,643
Total	**432,194,638**	261,491,545	**1,481,788,299**	1,318,885,958

17.2 Sensitivity Analysis

In order to illustrate the significance of the salary escalation rates and discount rates assumed in these valuations a sensitivity analysis for all employees of Royal Ceramics Lanka PLC and its subsidiaries is carried out as follows;

	Company Rs.	Group Rs.
Discount Rate as at 31 March 2020		
Effect on DBO due to decrease in the discount rate by 1%	**18,346,188**	92,604,804
Effect on DBO due to increase in the discount rate by 1%	**(16,912,734)**	(82,074,993)
Salary Escalation Rate as at 31 March 2020		
Effect on DBO due to decrease in salary escalation rate by 1%	**(17,879,559)**	(66,890,631)
Effect on DBO due to increase in salary escalation rate by 1%	**19,052,307**	72,130,132
Discount Rate as at 31 March 2019		
Effect on DBO due to decrease in the discount rate by 1%	11,002,416	79,356,916
Effect on DBO due to increase in the discount rate by 1%	(10,175,438)	(68,487,528)
Salary Escalation Rate as at 31 March 2019		
Effect on DBO due to decrease in salary escalation rate by 1%	(11,627,894)	(55,943,488)
Effect on DBO due to increase in salary escalation rate by 1%	12,379,859	62,453,072

17.3 Principle Assumptions used for Actuarial Valuation

Royal Ceramics Lanka PLC/Rocell Bathware Limited

Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the retirement benefit liability gratuity using the Projected Unit Credit Method as at 31st March 2019 and 31 March 2020. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2020	2019
Discount rate assumed	**9.5% p.a**	11% p.a
Future salary increase rate	**10.0% p.a**	10.0% p.a
Staff Turn Over	**17.0% p.a**	15.0% p.a
Weighted Average duration of retirement benefit liability (Years)	**5.02**	5.43

The demographic assumption underlying the valuation is retirement aged Male 55 years and female 50 years.

Lanka Ceramic PLC

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the retirement benefit liability as at 31 March 2020.

The principal assumptions used are as follows:

	2020	2019
Discount rate (per annum)	**10.0%**	11.0%
Salary scale (per annum)		
Executives	**8.0%**	10.0%
Non-Executives	**8.0%**	10.0%
Staff Turn Over	**10.0%**	10.0%
Retirement Age	**55Years**	55Years
Weighted Average duration of retirement benefit liability (Years)	**4.29**	3.66

Lanka Walltiles PLC

The retirement benefit liability as at 31 March 2020 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

	2020	2019
Discount rate (per annum)	**10%**	11.0%
Salary scale (per annum)		
Executives	**12.5%**	12.5%
Non-Executives	**10%**	10%
Retirement Age	**55 Years**	55 Years
Staff Turnover ratio	**7% up to 49 years, there after 0%**	7% up to 49 years, thereafter 0%
Weighted Average duration of retirement benefit liability (Years)	**6.89**	6.64

NOTES TO THE FINANCIAL STATEMENTS

Lanka Tiles PLC

The retirement benefit liability as at 31 March 2020 was actuarially valued by Messrs.Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

Principal actuarial assumptions are as follows

	2020	2019
Discount rate (per annum)	**10.0%**	11.0%
Future salary increases		
Executives	**12.5%**	12.5%
Non-Executives	**10.0%**	10.0%
Weighted Average duration of retirement benefit liability (Years)	**4.9**	5.13

In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the acturial valuation.

Horana Plantations PLC

An actuarial valuation of the retirement benefit liability was carried out as at 31st March 2020 by Actuarial and Management Consultants (Pvt) Ltd.

The valuation method used by the actuary to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows

	2020	2019
Rate of interest	**10% per annum**	11.0% per annum
Future salary increases		
Workers	**15.00% for every two years beyond**	15.00% for every two years beyond
Staff	**12.50% for first three years & 2.00% per annum beyond**	12.50% for first three years & 2.00% per annum beyond
Head Office Staff	**10.00% per annum beyond**	10.00% per annum beyond
Retirement age		
Workers	**60 years**	60 years
Staff	**60 years**	60 years
Head Office Staff	**55 years**	55 years
Daily wage rate		
Tea	**Rs.700.00**	Rs.700.00
Rubber	**Rs.700.00**	Rs.700.00
Weighted Average duration of retirement benefit liability (Years)		
Staff	**8.56**	6.91
Workers	**8.97**	8.53

Uni-Dil Packaging Ltd and Uni-Dil Packaging Solutions Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni-Dil Packaging Ltd and Uni-Dil Packaging Solutions Ltd of the retirement benefit liability as at 31 March 2020.

The valuation method used by the actuaries to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows

	2020	2019
Discount rate (per annum)	**10.00%**	11.00%
Future salary increases	**10.00%**	10.00%
Staff turnover factor	**9.00%**	21.00%
Retirement age (Years)	**55**	55
Weighted Average duration of retirement benefit liability (Years) - Uni-Dil Packaging Ltd	**5.69**	3.5
Weighted Average duration of retirement benefit liability (Years) - Uni-Dil Packaging Solutions Ltd	**7.19**	4.27

Swisstek (Ceylon)PLC

Retirement benefit liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2020.

Principal Actuarial Assumptions are as follows

	2020	2019
Discount rate (per annum)	**10.00%**	11.00%
Future salary increases	**11.00%**	12.00%
Weighted Average duration of retirement benefit liability (Years)	**7.55**	6.23

Swisstek Aluminum Limited

Retirement benefit liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2020.

Principal Actuarial Assumptions are as follows

	2020	2019
Discount rate (per annum)	**11.00%**	11.00%
Future salary increases	**10.00%**	10.00%
Retirement age (Years)	**55**	55
Weighted Average duration of retirement benefit liability (Years)	**5.78**	5.7

18. OTHER NON CURRENT LIABILITIES

	Group	
	2020 Rs.	2019 Rs.
Capital grants (18.1)	**122,832,181**	125,726,261
Refundable Deposit	**15,000,000**	15,000,000
	137,832,181	140,726,261

NOTES TO THE FINANCIAL STATEMENTS

18.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received	Balance as at 01.04.2019	Received during the year	Amortised during the year	Balance as at 31.03.2020
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lanka Tea Board	Tea factory modernisation	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	701	372	-	(57)	315
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	4,866	900	-	5,766
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	16,573	-	(1,128)	15,445
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	27,137	-	(1,600)	25,538
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	271	-	(17)	254
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	13,900	-	(717)	13,183
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	-	-	-	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,300	-	(165)	3,135
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	7,290	-	(361)	6,929
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	51,829	3,004	(2,704)	52,129
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	60	-	(51)	9
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	130	-	-	130
Total			172,714	125,728	3,904	(6,800)	122,832

19. TRADE AND OTHER PAYABLES

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Trade Creditors (Note 19.2)	**362,575,694**	181,384,816	**2,004,003,078**	2,374,743,965
Accrued Expenses	**198,465,094**	151,545,009	**222,377,101**	218,100,364
Sundry Creditors	**229,683,445**	323,230,969	**1,375,024,710**	1,164,770,319
Payable to Related Parties (Note 19.1)	**649,245,923**	4,034,290,680	**29,437,189**	58,839,896
	1,439,970,156	4,690,451,474	**3,630,842,078**	3,816,454,544

19.1 Payable to Related Parties

	Relationship	Company		Group	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Royal Porcelain (Pvt) Ltd	Subsidiary	**-**	3,430,261,310	**-**	-
Rocell Bathware Limited	Subsidiary	**617,277,823**	582,657,913	**-**	-
Nilano Garments (Pvt) Ltd	Subsidiary	**30,655,250**	14,780,966	**-**	-
Lanka Ceramic PLC	Subsidiary	**205,070**	347,929	**-**	-
Swisstek Aluminum Limited	Subsidiary	**1,107,780**	6,242,562	**-**	-
Vallibel One PLC	Parent	**-**	-	**29,437,189**	58,839,896
		649,245,923	4,034,290,680	**29,437,189**	58,839,896

Related party payable balances as at 31.03.2019 are adjusted in these financial statement upon the first time adoption of IFRIC 23 as stated in note 42.

NOTES TO THE FINANCIAL STATEMENTS

19.2 Trade Creditors includes following related party payables,

	Relationship	Company		Group	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Vallibel One PLC	Parent	-	-	**50,112,000**	3,178,564
Royal Porcelain (Pvt) Ltd	Subsidiary	-	828	-	-
Rocell Bathware Limited	Subsidiary	**118,564**	271,150	-	-
Nilano Garments (Private) Limited	Subsidiary	**5,716,750**	427,307	-	-
Lanka Ceramic PLC	Subsidiary	**572,675**	157,836	-	-
Uni-Dil Packaging Limited	Subsidiary	**216,061**	49,603	-	-
Uni-Dil Packaging Solutions Limited	Subsidiary	**19,508,596**	6,166,085	-	
Swisstek Ceylon PLC	Subsidiary	**13,220,943**	16,003,350	-	-
Swisstek Aluminum Limited	Subsidiary	**102,291**	102,291	-	-
Lanka Walltiles PLC	Subsidiary	**1,201,247**	861,557	-	-
Ever Paint & Chemical Industries (Private) Limited	Subsidiary	-	458,512	-	-
Lanka Tiles PLC	Subsidiary	**2,809,273**	513,154	-	-
Delmege Forsyth Co. Limited	Associate	**74,232**	56,190	**1,225,846**	861,507
Grip Delmege (Pvt) Ltd	Affiliate	**4,429,630**	-	**11,867,279**	3,929,663
Grip Nordic (Pvt) Ltd	Associate	-	24,000	**847,685**	71,790
Singer (Sri Lanka) PLC	Affiliate	**895,051**	-	**917,041**	525,753
Hayleys PLC	Affiliate	-	-	**19,493,177**	20,284,472
Hayleys Agriculture Holding Limited	Affiliate	-	-	**471,973**	6,387,444
Hayleys Agro Fertilizer (Private) Limited	Affiliate	-	-	**2,519,268**	943,943
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	-	-	-	30,275
Hayleys Electronics Lighting (Pvt) Ltd	Affiliate	**44,404**	-	**44,404**	44,404
Alufab PLC	Affiliate	-	-	-	880,393
Kelani Valley Plantations PLC	Affiliate	-	-	**651,717**	1,447,760
Puritas (Pvt) Ltd	Affiliate	-	-	**18,585**	25,929
Talawakelle Tea Estates PLC	Affiliate	-	-	-	363,839
Logiwiz Limited	Affiliate	-	-	-	1,831
NYK Line Lanka (Pvt) Ltd	Affiliate	-	-	-	746,088
The Kingsbury PLC	Affiliate	-	-	**15,750**	-
Diesel & Motor Engineering PLC	Affiliate	-	-	**27,010**	-
		48,909,717	25,091,861	**88,211,735**	39,723,654

20. OTHER CURRENT LIABILITIES

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Provisions	**139,592,273**	82,587,299	**155,961,367**	112,590,448
Other Statutory Payables	**53,999,422**	78,549,211	**62,027,514**	206,071,241
	193,591,695	161,136,510	**217,988,881**	318,661,689

20.1 Contract Liability

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
As at 1st April	**491,392,636**	-	**588,027,652**	-
Balances transferred on Amalgamation	**21,346**	-	-	-
During the year recognized	**87,407,498**	491,392,636	**27,394,504**	588,027,652
As at 31st March	**578,821,480**	491,392,636	**615,422,156**	588,027,652

The contract liability primarily relates to the advance consideration received from customers for Supply of timber and installation of timber flooring, for which revenue is recognized overtime and advances received for supply of tiles and sanitaryware. This will be recognized as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

21. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

21.1 Favourable Cash & Cash Equivalent Balances

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash & Bank Balances	**404,384,949**	465,342,403	**1,004,625,691**	946,141,805
Cash & Bank Balances attributable to discontinued operations	-	-	**611,771**	2,004,135

21.2 Unfavourable Cash & Cash Equivalent Balances

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Bank Overdraft	**(1,333,185,170)**	(294,837,331)	**(5,076,157,578)**	(3,924,122,695)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	**(928,800,221)**	170,505,072	**(4,070,920,116)**	(2,975,976,755)

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

22.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's/Company's revenue from contracts with customers:

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Type of goods or service				
Sale of Tiles & Associated Items	**6,445,391,264**	3,794,578,371	**20,461,383,920**	20,640,627,473
Sale of Sanitaryware	**-**	-	**2,511,154,746**	2,467,482,104
Sale of Plantation produce	**-**	-	**1,762,153,975**	2,020,359,600
Sale of Packaging Material	**-**	-	**3,672,226,811**	3,269,830,998
Sale of Aluminium Products	**-**	-	**3,139,146,419**	3,089,556,585
Other	**-**	-	**7,534,124**	11,600,611
Total revenue from contracts with customers	**6,445,391,264**	3,794,578,371	**31,553,599,995**	31,499,457,371
Geographical markets				
Export Sales	**85,452,781**	128,812,369	**913,531,455**	868,482,476
Local Sales	**6,359,938,483**	3,665,766,002	**30,640,068,540**	30,630,974,895
Total revenue from contracts with customers	**6,445,391,264**	3,794,578,371	**31,553,599,995**	31,499,457,371
Timing of revenue recognition				
Goods transferred at a point in time	**6,445,391,264**	3,794,578,371	**31,553,599,995**	31,499,457,371
Services transferred over time	**-**	-	**-**	-
Total revenue from contracts with customers	**6,445,391,264**	3,794,578,371	**31,553,599,995**	31,499,457,371

Segmental Information given on note 29 to these financial statements.

22.2 Contract balances

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Trade receivables (Note 11)	**648,360,257**	373,531,173	**3,641,781,478**	4,029,807,762
Contract assets (Note 11.3)	**-**	-	**38,078,779**	58,269,049
Contract liabilities (Note 20.1)	**578,821,480**	491,392,636	**615,422,156**	588,027,652

23. OTHER OPERATING INCOME

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Dividends on long-term & current investments with Related Parties	**372,791,754**	415,351,562	**-**	-
Dividends on long-term & current investments	**972,173**	825,307	**972,173**	825,307
Net Profit on financial Assets at fair value through profit or loss	**426,337**	-	**426,337**	-
Rental Income and Service Charge - Related Parties	**608,874,593**	599,277,493	**-**	-
Technical Fee Income - Related Parties	**12,810,468**	11,625,354	**-**	-
Sales Commission - Related Parties	**62,598**	1,483,902	**-**	-
Sales Commission - Others	**-**	-	**10,417,577**	-
Rent Income - Related Parties	**1,725,850**	2,958,600	**-**	-
Rent Income - Others	**-**	-	**36,750,000**	36,750,000
Loss on Disposal of Property, Plant & Equipment	**(111,593)**	(489,636)	**(59,290,678)**	(21,773,367)
Sundry Income	**19,391,340**	8,670,858	**108,499,871**	142,846,852
Amortisation of capital and revenue grants	**-**	-	**6,800,450**	13,179,238
Change in fair value of investment property	**-**	-	**2,051,500**	436,475,750
Change in fair value of consumable biological assets	**-**	-	**56,692,628**	86,508,651
	1,016,943,520	1,039,703,440	**163,319,858**	694,812,431

NOTES TO THE FINANCIAL STATEMENTS

23.1 Other Operating Expenses

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Net loss on financial Assets at fair value through profit or loss	-	14,272,902	-	14,272,902
Technical Fee Expense - Related Parties	**32,166,442**	18,995,344	**58,610,882**	59,590,445
BOI De-registration Expenses	-	-	**17,972,341**	-
Impairment of long term investment	**192,791,228**	-	-	-
	224,957,670	33,268,246	**76,583,223**	73,863,347

24. FINANCE COST AND INCOME

24.1 Finance Cost

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Interest Expense on Overdrafts	**73,663,379**	31,894,641	**398,444,069**	313,552,922
Interest Expense on Loans & Borrowings	**524,337,034**	511,007,622	**1,754,893,437**	1,634,641,826
Finance Charges on Lease Liabilities	**142,250,052**	471,413	**192,589,534**	17,797,234
Interest expense on Related party balances	**211,760,530**	252,562,158	-	-
Less : Capitalisation of borrowing costs on immature plantations	-	-	**(59,731,727)**	(58,723,325)
	952,010,995	795,935,834	**2,286,195,313**	1,907,268,657

24.2 Finance Income

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Interest Income	**17,887,352**	12,939,522	**29,807,753**	37,049,956
	17,887,352	12,939,522	**29,807,753**	37,049,956

25. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Included in Cost of Sales				
Depreciation	**276,407,412**	166,214,026	**1,416,180,162**	1,188,512,521
Amortisation of lease asset	-	-	**600,870**	-
Employee Benefits including the following	**586,979,195**	380,351,890	**3,720,043,045**	3,429,286,588
Retirement Benefit Costs - Gratuity	**31,236,458**	15,607,615	**175,116,976**	134,109,063
Defined Contribution Plan Costs - EPF & ETF	**65,102,715**	30,502,602	**335,513,489**	287,055,784
Included in Administrative Expenses				
Depreciation	**40,519,547**	42,065,320	**89,118,793**	96,000,836
Employee Benefits including the following	**236,145,042**	214,898,589	**594,243,100**	572,045,646
Retirement Benefit Costs - Gratuity	**12,021,004**	10,990,311	**46,493,448**	39,966,619
Defined Contribution Plan Costs - EPF & ETF	**21,591,807**	19,471,677	**54,655,359**	50,309,851
Auditors' Fees and Expenses	**1,677,917**	1,343,239	**11,605,185**	11,095,206
(Gain)/Loss on translation of foreign currency	**(26,281,514)**	(23,576,799)	**(23,551,045)**	(51,822,359)
Donations	**2,960,077**	-	**2,960,077**	-
Amortisation of intangible assets	**16,281,932**	16,756,999	**16,281,932**	16,756,999
Included in Selling and Distribution Costs				
Depreciation	**265,645,823**	245,620,662	**311,907,512**	360,767,582
Amortisation of lease asset	**156,761,388**	-	**242,507,284**	-
Employee Benefits including the following	**702,553,948**	612,078,028	**972,530,972**	870,153,609
Retirement Benefit Costs - Gratuity	**25,039,304**	18,283,514	**29,130,526**	22,049,926
Defined Contribution Plan Costs - EPF & ETF	**54,698,485**	46,774,444	**72,000,491**	62,327,407

NOTES TO THE FINANCIAL STATEMENTS

26. INCOME TAX EXPENSE

26.1 The major components of income tax expense for the years ended 31 March are as follows :

Statement of Profit or Loss	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Current Income Tax				
Current Income Tax charge	-	-	**579,565,556**	643,358,802
Dividend Tax	-	-	**3,243,151**	57,747,829
Under/(Over) Provision of current taxes in respect of prior years	-	-	**16,759,038**	13,242,511
Unrecoverable ESC	-	39,665,017	**12,599,940**	51,095,089
	-	39,665,017	**612,167,685**	765,444,231
Deferred Income Tax				
Deferred Tax Charge/(Reversal) (Note 26.5)	**122,965,938**	(64,443,630)	**190,547,501**	225,713,001
Income tax expense reported in the statement of profit or loss	**122,965,938**	(24,778,613)	**802,715,186**	991,157,232
Statement of Other Comprehensive Income				
Deferred Income Tax related to items charged or credited directly to equity :				
Deferred Tax effect on Employee Benefits	**(3,672,036)**	4,851,120	**(11,005,997)**	(3,321,789)
Deferred Tax effect on Revaluation of Land and Buildings	-	-	-	111,453,600
Income tax expense reported in equity	**(3,672,036)**	4,851,120	**(11,005,997)**	108,131,811

26.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Accounting Profit (Profit before Taxation)	**769,656,083**	32,940,375	**3,565,717,352**	4,085,007,986
Share of results of associates	-	-	**(1,372,972,899)**	(1,304,108,775)
	769,656,083	32,940,375	**2,192,744,453**	2,780,899,211
Exempt Profit	**(373,763,927)**	(416,176,869)	**(394,260,732)**	(581,683,975)
Non deductible expenses	**1,249,134,645**	572,810,459	**2,966,864,646**	1,974,283,929
Deductible expenses	**(1,186,901,332)**	(731,364,684)	**(3,190,675,592)**	(2,953,815,352)
Tax losses utilized	**(477,738,671)**	-	**(578,335,688)**	(246,069,093)
Income considered as separate source of income	**19,613,202**	15,898,122	**105,730,300**	(49,133,048)
Taxable Income	-	(525,892,596)	**1,102,067,387**	924,481,672
Income Tax on Profit of the local sales @ 28%	-	-	**573,713,059**	643,358,802
Income Tax on Profit of the local sales @ 24%	-	-	**2,621,309**	-
Income Tax on Profit of the local sales @ 18%	-	-	**3,231,188**	-
Dividend Tax @ 14%	-	-	**3,243,151**	57,747,829
Charge/(Reversal) of Deferred Tax (Note 26.5)	**122,965,938**	(64,443,630)	**190,547,501**	225,713,001
Unrecoverable ESC	-	39,665,017	**12,599,940**	51,095,089
Adjustment of taxes in respect of prior years	-	-	**16,759,038**	13,242,511
	122,965,938	(24,778,613)	**802,715,186**	991,157,232

NOTES TO THE FINANCIAL STATEMENTS

26.3 Deferred Tax Assets

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
At the beginning of the year	-	-	**846,600**	14,685,000
Transferred from Deferred Tax Liability	-	-	**(846,600)**	-
Charge/(Reversal) for the year	-	-	-	(13,841,847)
Deferred Tax release on components of other comprehensive Income	-	-	-	3,447
At the end of the year	-	-	-	846,600
The closing net differed tax liability relate to the following;				
Capital allowances for tax purposes	-	-	-	(24,312,399)
Revaluation surplus on Land and Buildings	-	-	-	(1,218,000)
Retirement benefit Liability	-	-	-	864,346
Unutilized tax losses	-	-	-	23,753,000
Provision for Obsolete and Slow Moving, Consumables and Spares	-	-	-	1,759,653
	-	-	-	846,600

26.4 Deferred Tax Liability

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 31st March	**310,262,601**	398,975,493	**3,246,571,109**	2,957,760,382
IFRIC 23 First time adoption	-	(29,120,382)	-	(29,120,382)
Restated Opening Balance as at 1 April	**310,262,601**	369,855,111	**3,246,571,109**	2,928,640,000
Transferred from Deferred Tax asset	-	-	**(846,600)**	(15,913,704)
Balances transferred on Amalgamation (Note 26.4.1)	**249,180,706**	-	-	-
Recognised in Profit or loss	**122,965,938**	(64,443,630)	**190,547,501**	225,713,001
Recognised in other comprehensive income	**(3,672,036)**	4,851,120	**(11,005,997)**	108,131,811
At the end of the year	**678,737,209**	310,262,601	**3,425,266,012**	3,246,571,109
The closing net differed tax liability relate to the following;				
Capital allowances for tax purposes	**771,635,411**	497,917,379	**2,805,255,104**	2,615,358,246
Revaluation surplus on Land and Buildings	**468,563,932**	397,290,044	**1,951,664,297**	1,966,854,873
Retirement benefit Liability	**(121,014,499)**	(73,217,633)	**(328,168,602)**	(287,663,323)
Unutilized tax losses	**(371,350,097)**	(502,273,452)	**(858,614,817)**	(970,389,523)
Provision for Obsolete and Slow Moving, Consumables and Spares	**(41,137,403)**	(9,453,737)	**(95,526,858)**	(64,682,435)
Allowances for Doubtful Debts	**(11,730,445)**	-	**(33,519,572)**	(12,906,729)
Leases	**(16,229,690)**	-	**(15,823,540)**	-
	678,737,209	310,262,601	**3,425,266,012**	3,246,571,109

26.4.1 The closing net differed tax liability includes the following effects of amalgamation;

	2020 Rs.
Capital allowances for tax purposes	**(217,753,625)**
Revaluation surplus on Land and Buildings	**(71,273,888)**
Retirement benefit Liability	**29,929,853**
Provision for Obsolete and Slow Moving, Consumables and Spares	**9,916,954**
Balances transferred on Amalgamation	**(249,180,706)**

26.5 Statement of Profit or Loss

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	**55,964,407**	107,195,194	**149,426,017**	431,333,395
Retirement benefit Liability	**(14,194,977)**	(9,228,590)	**(28,633,980)**	(4,736,463)
Provision for Obsolete and Slow Moving, Consumables and Spares	**(21,766,712)**	(9,453,737)	**(32,285,317)**	(36,635,955)
Allowances for Doubtful Debts	**(11,730,445)**	-	**(17,411,079)**	(1,621,009)
Revaluation	-	-	**(252,699)**	44,093,318
Unutilized tax losses	**130,923,355**	(152,956,497)	**135,528,099**	(206,720,285)
Lease Liability	**(16,229,690)**	-	**(15,823,540)**	-
Total Differed Tax Charge/(Reversal) for the year	**122,965,938**	(64,443,630)	**190,547,501**	225,713,001

Differed tax has been computed at 28% for all standard rate companies and Rocell Bathware Limited which has been computed at 15%.

The Deferred Tax asset arising from unused tax losses has been recognised up to the extend that it is probable that future taxable temporary differences available against which the unused tax loss can be utilised.

Royal Ceramics Distributors (Private) Limited which is a fully owned subsidiary of Royal Ceramics Lanka PLC has a tax loss of Rs. 188,469/- for the year (2019 - Rs. 145,566/-) that is available 6 years time limit. A deferred tax asset has not been recognized in respect of this tax loss as it is anticipated that the deferred tax asset will not realize in the foreseeable future.

Swisstek Aluminum Ltd

Income tax exemption given for the Swisstek Aluminum Ltd has been ended by 01st September 2016 and company liable to pay tax at a rate of 20% on trade profit and 28% on other income.

Horana Plantations PLC

Profit from Agricultural business will be taxed at rate of 14% as per the Inland Revenue Act No. 24 of 2017. Other income will be taxed at the rate of 28%.

NOTES TO THE FINANCIAL STATEMENTS

26.6 Carried forward tax losses of the Company as follows

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Tax loss brought forward	**1,792,645,111**	1,266,752,515	**2,970,325,225**	2,149,997,878
Loss for the year	**-**	525,892,596	**(161,968,457)**	879,384,439
Adjustment for prior years	**11,343,906**	-	**31,896,669**	20,552,763
Utilised during the year	**(477,738,671)**	-	**(543,506,450)**	(79,609,855)
Tax loss carried forward	**1,326,250,346**	1,792,645,111	**2,296,746,987**	2,970,325,225

27. EARNINGS PER SHARE

27.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

27.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

Amount Used as the Numerator:	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Net Profit for the year attributable to equity holders of the parent				
Continuing operations	**646,690,145**	57,718,988	**2,587,431,642**	2,642,473,220
Discontinued operations	**-**	-	**(1,663,196)**	(10,924,203)
Net Profit for the year attributable to equity holders of the parent	**646,690,145**	57,718,988	**2,585,768,446**	2,631,549,017

Number of Ordinary Shares Used as the Denominator:	2020 Number	2019 Number	2020 Number	2019 Number
Weighted Average number of Ordinary Shares in issue Applicable to basic Earnings Per Share	**110,789,384**	110,789,384	**110,789,384**	110,789,384

27.3 There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

28. DIVIDEND PER SHARE

Amount Used as the Numerator:	Company/Group	
	2020 Rs.	2019 Rs.
Final Dividends for 2018/2019	**166,184,076**	-
1st Interim Dividends for 2018/19	**276,973,460**	-
Final Dividends for 2017/2018	**-**	221,578,768
Total Gross Dividends	**443,157,536**	221,578,768
No of shares	**110,789,384**	110,789,384
Total Dividend per Share	**4.00**	2.00

29. SEGMENT INFORMATION

Primary Reporting Format - Business Segments

Form management purposes, the group is organised into business based on its products and services and has seven reportable segments, as follows:

- Tile & Associated Items
- Sanitaryware
- Packaging
- Plantation
- Finance
- Aluminium
- Other

The following tables present revenue and profit and certain assets and liability information regarding the company's business segments:

No operating segments have been aggregated to form the reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

	Tiles & Associated Items		Sanitaryware		Plantation		Packaging		Alluminium Products		Finance		Other		Total Segments		Eliminations/ Adjustments		Total	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue																				
Sales to external customers	**20,461,383,920**	20,640,627,473	**2,511,154,746**	2,467,482,104	**1,762,153,975**	2,020,359,600	**3,672,226,811**	3,269,830,998	**3,139,146,419**	3,089,556,585	**-**	-	**7,534,124**	11,600,611	**31,553,599,995**	31,499,457,371	**-**	-	**31,553,599,995**	31,499,457,371
Inter-Segment Sales	**-**	-	**-**	-	**-**	-	**368,970,080**	431,397,944	**95,798,581**	44,065,415	**-**	-	**158,597,499**	152,171,459	**623,366,160**	627,634,818	**(623,366,160)**	(627,634,818)	**-**	-
Total Revenue	**20,461,383,920**	20,640,627,473	**2,511,154,746**	2,467,482,104	**1,762,153,975**	2,020,359,600	**4,041,196,891**	3,701,228,942	**3,234,945,000**	3,133,622,000			**166,131,623**	163,772,070	**32,176,966,155**	32,127,092,189	**-623,366,160**	(627,634,818)	**31,553,599,995**	31,499,457,371
Results																				
Gross Profit	**8,656,224,883**	8,224,023,084	**755,927,539**	936,939,661	**(217,541,559)**	165,106,200	**651,994,084**	374,035,427	**576,528,000**	533,355,000	**-**	-	**57,602,937**	62,208,070	**10,480,735,884**	10,295,667,442	**-**	-	**10,480,735,884**	10,295,667,442
Other Income	**243,477,654**	599,806,804	**14,521,224**	5,518,985	**63,592,926**	106,548,981	**55,889,175**	93,976,110	**11,040,000**	8,395,000	**-**	-	**47,224,138**	133,994,893	**435,745,117**	948,240,773	**(272,425,259)**	(253,428,342)	**163,319,858**	694,812,431
Distribution Expenses	**(3,697,453,818)**	(3,748,005,993)	**(582,650,572)**	(599,775,151)	**-**	-	**(153,342,626)**	(121,323,238)	**(244,597,000)**	(198,261,000)	**-**	-	**(11,470,038)**	(8,231,817)	**(4,689,514,054)**	(4,675,597,199)	**268,495,459**	175,082,148	**(4,421,018,595)**	(4,500,515,051)
Administrative Expenses	**(1,178,329,170)**	(1,263,874,706)	**(14,529,443)**	(27,555,772)	**(171,769,696)**	(136,222,046)	**(185,190,203)**	(145,511,039)	**(100,092,000)**	(188,162,000)	**-**	-	**(51,341,199)**	(43,374,804)	**(1,701,251,711)**	(1,804,700,367)	**3,929,800**	39,716,804	**(1,697,321,911)**	(1,764,983,563)
Other Operating Expenses	**(64,033,597)**	(61,687,202)	**(12,549,626)**	(12,176,145)	**-**	-	**-**		**-**		**-**		**-**	-	**(76,583,223)**	(73,863,347)	**-**	-	**(76,583,223)**	(73,863,347)
Finance Costs	**(1,618,942,469)**	(1,185,608,381)	**(194,621,429)**	(188,758,945)	**(146,642,393)**	(130,699,262)	**(76,485,269)**	(126,634,604)	**(296,337,000)**	(334,630,000)	**-**	-	**(13,757,207)**	(21,599,060)	**(2,346,785,767)**	(1,987,930,252)	**60,590,453**	80,661,595	**(2,286,195,313)**	(1,907,268,657)
Finance Income	**27,945,762**	36,400,734	**62,211,301**	42,681,427	**241,143**	-	**-**		**-**	-	**-**	-	**-**	-	**90,398,206**	79,082,161	**(60,590,453)**	(42,032,205)	**29,807,753**	37,049,956
Share of Associate Company's Profit	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,358,992,023**	1,324,713,301	**13,980,876**	(20,604,526)	**1,372,972,899**	1,304,108,775	**-**	-	**1,372,972,899**	1,304,108,775
Net Profit before Income Tax	**2,368,889,245**	2,601,054,340	**28,308,994**	156,874,061	**(472,119,579)**	4,733,873	**292,865,161**	74,542,656	**(53,458,000)**	(179,303,000)	**1,358,992,023**	1,324,713,301	**42,239,507**	102,392,756	**3,565,717,352**	4,085,007,986	**-**	-	**3,565,717,352**	4,085,007,986
Income Tax Expense	**(683,172,337)**	(887,065,726)	**(18,187,684)**	(36,325,150)	**(24,493,193)**	(2,546,072)	**(82,132,943)**	(54,640,249)	**13,571,000**	54,496,000	**-**	-	**(5,056,332)**	(7,328,205)	**(799,471,489)**	(933,409,403)	**(3,243,697)**	(57,747,829)	**(802,715,186)**	(991,157,232)
Net Profit for the Year	**1,685,716,908**	1,713,988,613	**10,121,311**	120,548,911	**(496,612,772)**	2,187,801	**210,732,218**	19,902,407	**(39,887,000)**	(124,807,000)	**1,358,992,023**	1,324,713,301	**37,183,175**	95,064,551	**2,766,245,863**	3,151,598,583	**(3,243,697)**	(57,747,829)	**2,763,002,166**	3,093,850,754
As at 31st March																				
Assets and Liabilities																				
Segment Assets	**40,783,756,046**	40,700,433,062	**5,153,103,356**	5,517,568,980	**3,724,345,226**	3,799,057,712	**2,984,829,689**	2,814,451,331	**3,884,145,479**	4,424,811,000	**-**	-	**1,159,880,052**	1,150,505,483	**57,690,059,848**	58,406,827,568	**7,455,250,381**	2,824,273,379	**65,145,310,228**	61,200,281,964
Total assets	**40,783,756,046**	40,700,433,062	**5,153,103,356**	5,517,568,980	**3,724,345,226**	3,799,057,712	**2,984,829,689**	2,814,451,331	**3,884,145,479**	4,424,811,000			**1,159,880,052**	1,150,505,483	**57,690,059,848**	58,406,827,568	**7,455,250,381**	2,824,273,379	**65,145,310,228**	61,200,281,964
Segment liabilities	**23,178,599,742**	24,887,186,090	**1,764,160,415**	2,133,118,990	**2,924,629,430**	2,491,170,945	**1,647,301,508**	1,662,631,012	**2,710,418,689**	3,209,960,000	**-**	-	**316,996,086**	332,007,788	**32,542,105,870**	34,716,074,825	**(1,940,281,222)**	(4,044,248,320)	**30,601,824,647**	28,950,347,648
Total Liabilities	**23,178,599,742**	24,887,186,090	**1,764,160,415**	2,133,118,990	**2,924,629,430**	2,491,170,945	**1,647,301,508**	1,662,631,012	**2,710,418,689**	3,209,960,000			**316,996,086**	332,007,788	**32,542,105,870**	34,716,074,825	**(1,940,281,222)**	(4,044,248,320)	**30,601,824,647**	28,950,347,648
Other Segment Information																				
Total cost incurred during the period to acquire																				
Property, Plant & Equipment	**1,199,438,693**	3,593,568,168	**28,503,381**	66,942,778	**155,386,077**	165,864,231	**92,483,242**	11,742,939	**44,628,269**	175,487,000	**-**	-	**757,480**	21,971,988	**1,521,197,142**	4,035,577,104	**-**	-	**1,521,197,141**	4,035,577,104
Depreciation & Amortisation	**1,324,931,419**	1,197,381,600	**134,180,658**	133,875,361	**187,691,000**	168,690,070	**79,672,805**	81,449,275	**104,800,028**	99,463,000	**-**	-	**11,526,357**	14,984,657	**1,842,802,267**	1,695,843,963	**-**	-	**1,842,802,267**	1,695,843,963
Provisions for retirement benefit liability	**130,488,972**	109,657,908	**8,076,821**	6,639,765	**91,779,188**	62,829,347	**13,044,952**	10,964,587	**5,595,000**	4,349,000	**-**	-	**1,756,018**	1,685,000	**250,740,950.54**	196,125,607	**-**	-	**250,740,951**	196,125,607

NOTES TO THE FINANCIAL STATEMENTS

29. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenues, Profit or loss ,assets and liabilities and other material items.

	2020 Rs.	2019 Rs.
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	**2,766,245,863**	3,151,598,583
Dividend Tax on Intercompany dividend Income	**(3,243,697)**	(57,747,829)
Group Net Profit for the year	**2,763,002,166**	3,093,850,754
Reconciliation of assets		
Segment assets	**57,690,059,848**	58,406,827,568
Assets of discontinued operations	**52,029,091**	54,409,217
Investment in subsidiaries (elimination)	**668,920,903**	893,065,240
Inter company balances (elimination)	**(1,948,448,224)**	(5,815,426,657)
Share of associate company's accumulated profit net of dividend received (elimination)	**8,682,748,610**	7,650,193,373
Group assets	**65,145,310,228**	61,189,068,741
Reconciliation of Liabilities		
Segment Liabilities	**32,542,105,870**	34,716,074,825
Liabilities of discontinued operations	**8,167,002**	8,223,064
Deferred Tax effect on Associate undistributable Profit	**-**	-
Inter company balances (elimination)	**(1,948,448,224)**	(5,815,426,657)
Group Liabilities	**30,601,824,648**	28,908,871,232

30. CONTINGENT LIABILITIES

a) Royal Ceramics Lanka PLC

Royal Ceramics Lanka PLC issued corporate guarantees in favour of Rocell Bathware Limited guaranteeing loans, interest and other charges of the loans as stated in note 16.4.

Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for Royal Ceramics Lanka PLC and Rocell Bathware Limited amounting to Rs. 100Mn & at the reporting date total guaranteed value is Rs. 41.4Mn.

The Department of Inland Revenue has issued two assessments claiming an additional income tax of Rs. 156Mn and penalty of Rs. 78Mn for the year of assessments 2013/14 and 2014/15. The Company has filed appeals against these assessments and subsequent determinations on those appeals were not in favour of the company. Currently the Company is in the process of appealing to the Tax Appeal Commission. The Directors believe, based on the information currently available, the amounts provided in the accounts based on the proposal submitted is reasonable and that the ultimate resolution of such assessments is not likely to have a material adverse effect on the Company. Accordingly, provision for additional income tax and penalties including the resulting adjustment of deferred taxation on carried forward tax losses have not been made in these financial statements.

b) Lanka Walltiles PLC

As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue in respect of Income tax, Value added tax and economic service charge totalling Rs. 46,988,405/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch. The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly no provision for liability has been made in these financial statements.

c) Horana Plantations PLC

Several other cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested /prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

Capital Grant received from the Ceylon Electricity Board (CEB) for Stand by Power Generators is subject to a condition of minimum usage of CEB Power as against the Generator Power. A liability will arise only if the above condition is not fulfilled.

d) Rocell Ceramics Limited

The Minister of Land has issued the Section 2 Notice of the Land Acquisition Act to acquire the Kiriwattuduwa Land owned by the wholly owned subsidiary of the Group namely Rocell Ceramics Limited. The Company has challenged the decision and filed a fundamental rights application in the supreme court. During the financial year 2018/19, UDA signed the MOU with the Company on the settlement and informed that it does not require the acquisition of the land. Based on the settlement agreed between UDA and the Company, Supreme court terminated the proceedings on 3 September 2019.

There are no other material contingent liabilities as at the reporting date.

31. CAPITAL COMMITMENTS

There were no significant capital commitments as at the reporting date in the Company and Group except as detailed below.

The Group and Company's commitment for acquisition of Property, Plant and Equipment incidental to the Ordinary course of business as at 31st March as follows.

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Contracted but not provided for	**177,357,818**	27,963,295	**183,303,992**	85,814,267
	177,357,818	27,963,295	**183,303,992**	85,814,267

No provision has been made in these Financial Statements in this regard as at 31st March 2020

NOTES TO THE FINANCIAL STATEMENTS

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the outbreak of COVID – 19, the Group has taken all recommended measures by the Government to ensure the health and safety of its employees, customers, suppliers and stakeholders during this challenging time. A procedure has been implemented to carry out regular (daily) health condition check of all employees and maintain a data base in order to ensure the safety of the employees. The Group have provided adequate work from home and remote working facilities for its employees to ensure the safety of the employees while avoiding unnecessary delays in operation.

The impact of the COVID – 19 pandemic on Sri Lanka's economy and global demand and supply cannot be predicted at this time. Therefore, the overall future impact on the operations of the Group is not predictable at this stage. The necessary cost controlling mechanisms have been adapted by the Group to overcome the risk of rising cost of production and required strategies have been implemented to preserve liquidity and curtail losses.

Business operations are getting back to normalcy, we do not expect any impairment provisioning on the carrying value of assets in the balance sheet. The Group Management is confident that the Group has the resources and capability to withstand the negative effect and uncertainty this pandemic has created.

Other than the above there have been no material events occurring after the balance sheet date that require adjustment or disclosure in the financial statements.

33. ASSETS PLEDGED

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 16.4.

Royal Ceramics Lanka PLC/Rocell Bathware Limited

Bank overdrafts and Short term loans are secured primarily over stocks in Trade and over book debts.

Lanka Tiles PLC

Bank overdrafts are secured primarily on inventories.

Uni-Dil Packaging Ltd

	Rs.
Import Loan 1 (Hatton National Bank PLC)	
Immovable Property	110,000,000
Inventories and Debtors	145,000,000
Import Loan 2 (Standard Chartered Bank)	
Land and Building, Immovable Machinery and Debtors	70,000,000
Inventories and Debtors	134,000,000
Import Loan 3 (DFCC Bank PLC)	
Inventories and Debtors	150,000,000

Uni-Dil Packaging Solutions Ltd

Import Loans are secured by Primary on mortgage bond over land and building for Rs. 30Mn at Naranpola, Dekatana for the banking facilities of Hatton National Bank PLC and registered primary floating mortgage bond over stock and book debts for Rs. 60Mn for the banking facilities of Hong Kong & Shanghai Banking corporation.

Horana Plantations PLC

The following securities were offered for bank overdraft facilities

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000
Seylan Bank PLC	Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets.	Fixed	100,000
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	AWPLR plus margin	250,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings , fixed and floating assets.	AWPLR plus margin	150,000
Sampath Bank PLC	Primary Mortgage Bond for Rs. 100Mn over leasehold rights of Gouravilla Estate.	AWPLR plus margin	100,000

Lanka Walltiles PLC

Hatton National Bank Rs. 100Mn bank overdraft is secured primarily on register primary floating mortgage bond for Rs. 390Mn over the project assets comprising of land, building and machinery at Meepe.

Swisstek Aluminum Ltd

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000
Hatton National Bank (Import Loan)	Trading Stock and Trade Debtors	AWPLR plus margin	300,000
DFCC Bank PLC(Term loan)	Primary mortgage over plant and machinery	AWPLR plus margin	200,000
DFCC Bank PLC(Import loan and Bank Overdrafts	Secondary mortgage over stock and book debtors	AWPLR plus margin	800,000

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

34.1 Transactions with the Related Entities

Nature of Transaction	Parent		Subsidiaries		Associates and other		Affiliates	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Statement of Profit or Loss								
Sale of Goods	-	-	**17,008,380**	13,363,893	-	-	**7,308,718**	12,167,374
Purchase of Goods/Services	-	-	**(288,620,176)**	(369,992,647)	**(7,095,017)**	(8,318,972)	**(29,177,256)**	(36,740,869)
Rendering of Services	-	-	**227,039,882**	1,551,870,101	-	-	-	-
Rent Income	-	-	-	3,471,827	-	-	-	-
Dividend Income	-	-	-	291,087,643	**372,791,754**	124,263,918	-	-
Interest Income/(Expense)	-	-	**(211,760,530)**	-	-	-	-	-
Dividend Payments	**(248,010,400)**	(124,005,200)	-	-	-	-	-	-
Technical Fee	**(35,706,853)**	(19,205,344)	**(12,842,712)**	7,800,929	-	-	-	-
Investments made by the Company	-	-	**(50,313,040)**	(151,628,079)	-	-	-	-
Reimbursement of Expenses net of fund Transfer	**37,810,988**	(31,260,718)	**(996,377,270)**	(2,484,460,204)	-	-	-	-
Impairment of Investment	-	-	**(192,791,228)**	-	-	-	-	-
Statement of Financial Position								
Balance outstanding as at end of the year								
Trade Debtors	-	-	**2,250,533**	23,652	-	66,920	**8,311,176**	90,572
Due from Related Parties	-	-	**525,124,654**	515,467,243	-	-	-	-
Due to Related Parties	**(52,117,428)**	(56,009,232)	**(649,245,923)**	(4,034,290,680)	-	-	-	-
Trade Creditor	-	-	**(43,466,400)**	(23,853,875)	**(4,503,862)**	-	-	(70,064)

Royal Ceramics Lanka PLC issued corporate guarantees in favour of Rocell Bathware Limited guaranteeing loans, interest and other charges of the loans as stated in note 16.4.

34.1.1 Transaction with the related entities-Group

Nature of Transaction	Parent		Affiliates	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Statement of Profit or Loss				
Sale of Goods	-	-	**271,490,718**	19,165,295
Purchase of Goods/Services	-	-	**(101,344,721)**	(301,682,375)
Dividend Payments	**(248,010,400)**	(124,005,200)	-	-
Technical Fee	**(33,918,988)**	(19,205,344)	-	-
Reimbursement of Expenses net of fund Transfer	**37,810,988**	(6,705,508)	-	-
Balance outstanding as at end of the year				
Trade Debtors	-	-	**15,587,093**	8,871,909
Due to Related Parties	**(52,117,428)**	(60,735,617)	-	-
Trade Creditor	-	-	**(23,198,000)**	(49,026,215)

Parent company is Vallibel One PLC

Transactions With the Subsidiaries include Rocell Bathware Limited, Royal Ceramics Distributors (Pvt) Ltd,Ever Paint & Chemical industries (Pvt) Ltd, Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Swisstek Aluminum Ltd., Horana Plantations PLC, Uni-Dil Packaging Ltd,Uni-Dil Packaging Solutions Limited, LWL Development (Private) Limited, Beyond Paradise Collection Limited, Rocell Pty Limited and Nilano Garments (Pvt) Ltd

Associates of the Group include L. B. Finance PLC and Delmege Limited.

The company carried out above transactions under the ordinary course of its business at commercial rates as agreed between outside parties.

Fund transfers represents the sales proceeds of the subsidiaries received by the parent company and it will be settled by transferring of funds back to the relevant companies.

Outstanding related party balances are repayable on demand.

34.2 Transactions with Key Management Personnel (*)

34.2.1 Compensation to Key Management Personnel

Nature of Transaction	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Short term Employee Benefits	**123,330,117**	127,313,444	**250,870,151**	277,650,457
Post Employment Benefits	**21,487,360**	25,066,733	**60,379,957**	76,573,739
	144,817,477	152,380,177	**311,250,108**	354,224,196

NOTES TO THE FINANCIAL STATEMENTS

34.2.2 Other Transactions with Key Management Personnel

Nature of Transaction	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Rent Expenses	**9,543,000**	8,233,500	**9,543,000**	8,233,500
Transport Expenses	**7,156,288**	4,624,574	**7,156,288**	4,624,574
Sales	**-**	54,989	**-**	54,989

(*) Key management personnel include the Board of Directors of the Company and its parent entity.

34.2.3 Transactions, arrangements and agreements involving companies controlled by or with significant influence of the Key Management Personnel.**

a) Statement of Profit or Loss

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Sale of Goods/Services	**5,832,363**	12,167,374	**7,308,718**	19,165,295
Purchase of Goods/Services	**29,177,256**	36,740,869	**48,905,721**	258,153,375
Dividend Income	**562,500**	-	**562,500**	-

b) Statement of Financial Position

	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance outstanding as at end of the year				
Cash and Cash equivalents (Pending)	**33,545,050**	24,843,938	**33,892,118**	25,191,006
Trade Debtors	**8,311,176**	90,572	**9,284,093**	8,386,909

** Other Related Companies as cited below represent transactions of its business at commercial rates as agreed between other parties under the ordinary course with entities either controlled or in which significant influence is held by key management personnel or their close family members.

Aitken Spence PLC, Dipped Products PLC, Greener Water Ltd, Hayleys Aventura (Pvt) Ltd, Link Natural Products (Pvt) Ltd, Sampath Bank PLC, The Fortress Resorts PLC, Haycarb PLC, Pan Asia Banking Corporation PLC, Singhe Hospitals PLC, Hayleys PLC, The Kingsbury PLC, Delmege Forsyth & Co. Ltd, L B Finance PLC, Hayleys Fabric PLC, Thalawakele Plantation PLC, Fentons (Pvt) Ltd. Kandyan Resort (Pvt) Ltd.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The senior management of the Group oversees the management of these risks. The Senior management of the Group determine on financial risks and the appropriate financial risk governance framework for the Group. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, equity investments classified as fair value through profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt and short term borrowings with floating interest rates. The Group manages its risk by striking a balance between long term and short term debts. The company has easy access to funds at competitive interest rates. COVID-19 outbreak has resulted in consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of the long term and short term borrowings. With all other variables held constant, the Groups profit before tax is affected through the impact on floating rate borrowings as follows;

	Company		Group	
	Change in basis points	Change in Profit before tax	Change in basis points	Change in Profit before tax
2020	100 (1%)	Rs. 77.2Mn	100 (1%)	Rs. 152.0Mn
2019	100 (1%)	Rs. 48.8Mn	100 (1%)	Rs. 104.6Mn

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. Local currency depreciated heavily against the US Dollar in March 2020 on the back of economic lock down resulting from the COVID-19 pandemic. The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

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Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD, AUD, EURO and GBP exchange rates, with all other variables held constant. The Group exposure to all the other currencies are not material. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Company		Group	
	Change in exchange rate	Change in Profit before tax	Change in exchange rate	Change in Profit before tax
2020	5%	Rs. 15.4Mn	5%	Rs. 53.3Mn
2019	5%	Rs. 6.6Mn	5%	Rs. 70.2Mn

Equity Price Risk

The Groups listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about the future values of the investments securities. The Group manages the equity price risk by diversification and placing limits on individual and total investment in equity instruments. The group Board of Directors reviews and approves all equity investment decisions. The exposure was limited as total investments in listed equity securities at fair value was not material to the group.

At the reporting date, the exposure to listed equity securities at fair value was Rs. 29.0Mn (2019 - 28.6Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 5.5Mn (2019 - 2.2Mn) on the Company/Groups profit before tax.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. Part of the trade receivable of the group are backed by bank guarantees. Hence the Group evaluates the concentration of risk with respect to trade receivables as low. As a result of Covid 19 outbreak, The Group is currently focusing on reducing inventory levels and collecting dues from its customers to reduce debtor exposure. Further, the individual receivable balances were re-assessed, specific provisions were made wherever necessary.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and lease contracts. The Management is solemnly engaging with banks as well as with suppliers to negotiate terms and required COVID – 19 financial support and rebates in order to manage liquidity levels effectively.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2020 based on contractual undiscounted (principal plus interest) payments.

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
As at 31 March 2020						
Company						
Interest-bearing loans and borrowings	1,333,185,170	2,351,339,536	1,138,021,407	2,548,792,418	-	7,371,338,531
Lease Liability of Right of Use Assets	-	26,276,429	82,674,617	504,927,238	990,333,717	1,604,212,001
Trade and other payables	-	1,439,970,156	-	-	-	1,439,970,156
	1,333,185,170	3,817,586,121	1,220,696,024	3,053,719,656	990,333,717	10,415,520,688
Group						
Interest-bearing loans and borrowings	2,267,947,959	8,912,085,040	4,055,325,790	5,828,204,856	773,149,260	21,836,712,905
Lease Liability of Right of Use Assets	-	50,594,310	158,348,676	736,731,981	1,634,416,336	2,580,090,303
Trade and other payables	-	3,630,842,078	-	-	-	3,630,842,078
	2,267,947,959	12,593,521,428	4,213,674,466	6,564,936,837	2,407,565,596	28,047,645,286

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
As at 31 March 2019						
Company						
Interest-bearing loans and borrowings	294,837,331	688,929,952	1,029,915,276	3,847,011,819	-	5,860,694,378
Trade and other payables	-	4,690,451,474	-	-	-	4,690,451,474
	294,837,331	5,379,381,426	1,029,915,276	3,847,011,819	-	10,551,145,852
Group						
Interest-bearing loans and borrowings	2,166,507,228	7,788,239,004	2,668,990,322	8,590,099,037	117,393,452	21,331,229,043
Trade and other payables	-	3,816,454,544	-	-	-	3,816,454,544
	2,166,507,228	11,604,693,548	2,668,990,322	8,590,099,037	117,393,452	25,147,683,587

NOTES TO THE FINANCIAL STATEMENTS

36. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company/Group includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents.

Nature of Transaction	Company		Group	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Interest Bearing Borrowings	**7,719,906,052**	4,884,264,687	**20,832,678,069**	18,875,021,759
Trade and Other payables	**1,439,970,156**	4,690,451,474	**3,630,842,078**	3,816,454,544
Less: Cash and Cash Equivalents	**(404,384,949)**	(465,342,403)	**(1,004,625,691)**	(946,141,805)
Net Debt	**8,755,491,259**	9,109,373,758	**23,458,894,456**	21,745,334,498
Equity	**14,584,652,950**	9,446,629,349	**34,543,485,581**	32,249,934,316
Gearing ratio	**38%**	49%	**40%**	40%

37. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	Location	2020	2019
Lanka Ceramic PLC	Sri Lanka	Sri Lanka	**26.44%**	26.44%
Lanka Walltiles PLC	Sri Lanka	Sri Lanka	**45.45%**	45.45%
Lanka Tiles PLC	Sri Lanka	Sri Lanka	**60.17%**	60.17%
Vallibel Plantation Limited	Sri Lanka	Sri Lanka	**45.45%**	45.45%
Swisstek (Ceylon) PLC	Sri Lanka	Sri Lanka	**67.82%**	67.82%
Swisstek Aluminum Limited	Sri Lanka	Sri Lanka	**64.28%**	64.28%
Horana Plantations PLC	Sri Lanka	Sri Lanka	**72.18%**	72.18%
Uni-Dil Packaging Limited	Sri Lanka	Sri Lanka	**45.45%**	45.45%
Uni-Dil Packaging Solutions Limited	Sri Lanka	Sri Lanka	**45.45%**	45.45%
LWL Development (Private) Limited	Sri Lanka	Sri Lanka	**45.45%**	45.45%
Beyond Paradise Collection Limited	Sri Lanka	Sri Lanka	**60.17%**	60.17%
Lanka Tiles (Pvt) Ltd	India	India	**79.69%**	79.69%
Swisstek Development (Pvt) Limited	Sri Lanka	Sri Lanka	**67.82%**	67.82%

Accumulated Balances of Material Non - Controlling Interest

	2020 Rs. 000's	2019 Rs. 000's
Lanka Ceramic PLC	**222,888**	216,440
Lanka Walltiles PLC	**2,440,922**	2,426,902
Lanka Tiles PLC	**4,181,471**	3,879,336
Vallibel Plantation Limited	**152,058**	143,797
Swisstek (Ceylon) PLC	**873,362**	732,417
Swisstek Aluminum Limited	**754,509**	780,946
Horana Plantations PLC	**585,804**	965,717
Uni-Dil Packaging Limited	**562,878**	503,624
Uni-Dil Packaging Solutions Limited	**114,195**	89,041
LWL Development (Private) Limited	**73,296**	75,974
Beyond Paradise Collection Limited	**105,618**	104,866
Lanka Tiles (Pvt) Ltd	**9,383**	9,368
Swisstek Development (Pvt) Limited	**53**	53
Less - Cross investments	**(1,113,970)**	(1,113,970)
Add - Attributed Goodwill	**445,990**	445,990
Accumulated Material Non- Controlling Interest	**9,408,457**	9,260,501

Profit allocated to Material Non - Controlling Interest

	2020 Rs. 000's	2019 Rs. 000's
Lanka Ceramic PLC	**6,135**	30,587
Lanka Walltiles PLC	**17,282**	50,521
Lanka Tiles PLC	**301,897**	240,020
Vallibel Plantation Limited	**(1,249)**	(1,600)
Swisstek (Ceylon) PLC	**141,389**	68,222
Swisstek Aluminum Limited	**(25,641)**	(80,297)
Horana Plantations PLC	**(357,199)**	3,347
Uni-Dil Packaging Limited	**62,274**	(7,103)
Uni-Dil Packaging Solutions Limited	**32,491**	16,153
LWL Development (Private) Limited	**(2,678)**	56,778
Beyond Paradise Collection Limited	**612**	74,678
Lanka Tiles (Private) Limited	**258**	72
Accumulated Material Non- Controlling Interest	**175,571**	451,378

NOTES TO THE FINANCIAL STATEMENTS

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for year ended 31 March 2020:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's		Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminum Limited Rs. 000's	Horana Plantations PLC Rs. 000's	Uni-Dil Packaging Limited Rs. 000's	Uni-Dil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lanka Tiles (Private) Limited Rs. 000's
Revenue	166,132	3,493,619	6,694,824	-		1,418,975	3,234,945	1,762,154	2,928,834	1,112,363	-	-	-
Cost of sales	(108,529)	(2,537,014)	(4,275,376)	-		(1,021,078)	(2,658,417)	(1,979,696)	(2,426,159)	(963,044)	-	-	-
Administrative expenses	(51,674)	(185,660)	(388,677)	(1,744)		(49,457)	(88,192)	(170,053)	(154,324)	(17,014)	(5,309)	(391)	(301)
Finance costs	(13,757)	(220,077)	(334,564)	(1)		(70,868)	(308,237)	(146,615)	(69,213)	(21,125)	(682)	-	-
Profit before tax	28,259	59,124	695,033	18,177		286,977	(53,458)	(470,374)	211,532	95,095	(5,893)	809	338
Income tax	(5,056)	(21,099)	(193,316)	-		(78,508)	13,571	(24,493)	(58,521)	(23,612)	-	208	(14)
Profit for the year from continuing operations	23,202	38,025	501,717	18,177		208,469	(39,887)	(494,868)	153,011	71,483	(5,893)	1,017	323
Total comprehensive income	24,385	30,846	502,113	18,177		208,018	(41,124)	(513,022)	151,290	71,345	(5,893)	1,017	18
Attributable to non-controlling interests	6,449	14,020	302,135	(1,249)		141,082	(26,436)	(370,303)	61,491	32,428	(2,678)	612	15
Dividends paid to non-controlling interests	-	-	-	-		-	-	-	9,511	7,273.28	-	-	-

Summarised statement of profit or loss for year ended 31 March 2019:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's		Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminum Limited Rs. 000's	Horana Plantations PLC Rs. 000's	Uni-Dil Packaging Limited Rs. 000's	Uni-Dil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lanka Tiles (Private) Limited Rs. 000's
Revenue	163,772	3,220,934	7,008,992	-		1,175,154	3,133,622	2,020,360	2,622,306	1,078,923	-	-	-
Cost of sales	(101,564)	(2,291,881)	(4,996,548)	-		(886,135)	(2,600,267)	(1,855,253)	(2,339,669)	(987,524)	-	-	-
Administrative expenses	(43,375)	(206,134)	(403,519)	(1,538)		(43,541)	(188,162)	(134,684)	(136,314)	(9,197)	(8,351)	(230)	(401)
Finance costs	(21,599)	(166,487)	(22,076)	(1,077)		(68,970)	(334,630)	(129,622)	(102,666)	(23,969)	-	-	
Profit before tax	144,919	288,196	594,314	2,868		189,680	(179,303)	7,348	25,211	49,331	176,634	-	82
Income tax	(7,328)	(56,915)	(169,925)	-		(64,357)	54,496	(2,546)	(40,749)	(13,892)	(51,691)	-	8
Profit for the year from continuing operations	137,591	231,281	424,389	2,868		125,323	(124,807)	4,802	(15,537)	35,440	124,943	124,103	90
Total comprehensive income	136,973	512,907	429,966	2,868		125,790	(113,583)	(70,382)	(13,875)	35,429	124,943	124,103	791
Attributable to non-controlling interests	30,423	178,520	243,376	(1,600)		68,539	(73,082)	(50,922)	(6,348)	16,148	56,778	74,678	630
Dividends paid to non-controlling interests	-	74,447	100,554	-		37,129	-	9,023	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Summarised statement of financial position as at 31 March 2020:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's		Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's	Uni-Dil Packaging Limited Rs. 000's	Uni-Dil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lanka Tiles (Private) Limited Rs. 000's
Current Assets	139,401	3,552,846	6,491,998	2,949		837,566	2,945,293	309,543	1,492,078	583,367	15,253	4,200	11,848
Non- Current Assets	1,020,479	5,857,981	6,345,899	346,407		1,598,505	1,479,518	3,411,854	942,641	118,850	556,216	394,819	-
Current Liabilities	64,342	2,856,761	3,660,067	14,812		655,754	2,735,081	1,225,155	955,993	428,972	354,174	175,841	74
Non- Current Liabilities	252,655	1,183,520	2,228,716	-		492,598	474,879	1,684,663	240,334	22,003	56,030	47,885	-
Total equity	842,884	5,370,547	6,949,115	334,544		1,287,720	1,214,853	811,579	1,238,393	251,242	161,266	175,292	11,774
Attributable to:													
Equity holders of parent	619,996	2,929,625	2,767,644	182,486		414,305	460,344	225,776	675,515	137,047	87,970	69,954	2,392
Non-controlling interest	222,888	2,440,922	4,181,471	152,058		873,415	754,509	585,804	562,878	114,195	73,296	105,338	9,383
	842,884	5,370,547	6,949,115	334,544		1,287,720	1,214,853	811,579	1,238,394	251,242	161,267	175,292	11,774

Summarised statement of financial position as at 31 March 2019:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's		Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's	Uni-Dil Packaging Limited Rs. 000's	Uni-Dil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lanka Tiles (Private) Limited Rs. 000's
Current Assets	114,950	3,148,992	5,013,131	2,928		754,997	2,945,293	444,371	1,412,733	504,298	3,391	3,000	11,831
Non- Current Assets	1,035,555	5,812,377	5,995,438	346,407		1,539,101	1,479,518	3,351,757	916,770	132,758	541,448	394,819	-
Current Liabilities	55,998	2,394,346	2,322,479	32,967		728,165	2,735,081	956,105	953,810	438,069	325,989	175,659	-
Non- Current Liabilities	276,009	1,227,322	2,239,088	-		486,027	474,879	1,502,099	267,666	3,087	51,691	47,885	-
Total equity	818,498	5,339,701	6,447,002	316,368		1,079,905	1,214,853	1,337,916	1,108,028	195,900	167,159	174,275	11,756
Attributable to:													
Equity holders of parent	602,058	2,912,799	2,567,666	172,571		347,488	433,907	372,199	604,404	106,859	91,185	69,409	2,388
Non-controlling interest	216,440	2,426,902	3,879,336	143,797		732,417	780,946	965,717	503,624	89,041	75,974	104,866	9,368
	818,498	5,339,701	6,447,002	316,368		1,079,905	1,214,853	1,337,916	1,108,028	195,900	167,159	174,275	11,756

NOTES TO THE FINANCIAL STATEMENTS

Summarised cash flow information for year ending 31 March 2020:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's	Uni-Dil Packaging Limited Rs. 000's	Uni-Dil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lanka Tiles (Private) Limited Rs. 000's
Operating Cash Flow	20,724	(378,206)	(821,733)	(19,901)	160,482	417,983	(152,041)	142,471	(27,638)	6,996	-	300
Investing Cash Flow	(289)	(181,463)	(624,498)	19,922	(100,219)	(44,565)	(165,100)	(89,090)	(3,393)	(9,641)	-	-
Financing Cash Flow	(28,303)	244,985	965,376	-	(69,573)	(403,932)	103,123	(74,498)	1,407	(518)	-	-
Net increase / (decrease) in cash and cash equivalents	(7,868)	(314,684)	(480,855)	21	(9,311)	(30,514)	(214,018)	(21,117)	(29,625)	(3,163)	-	300

Summarised cash flow information for year ending 31 March 2019:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's	Uni-Dil Packaging Limited Rs. 000's	Uni-Dil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lanka Tiles (Private) Limited Rs. 000's
Operating Cash Flow	33,383	(254,389)	(62,083)	14,462	(31,173)	(855,374)	14,388	188,887	(20,238)	54,158	970	82
Investing Cash Flow	148,188	(94,082)	(2,139,832)	5,483	(178,168)	(171,389)	(173,276)	(7,853)	(3,890)	(46,140)	-	-
Financing Cash Flow	(128,002)	179,724	1,605,452	(19,990)	267,934	719,366	66,961	(140,393)	27,894	-	-	-
Net increase / (decrease) in cash and cash equivalents	53,569	(168,747)	(596,463)	(45)	58,594	(307,397)	(91,927)	40,641	3,766	8,018	970	82

NOTES TO THE FINANCIAL STATEMENTS

38. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

	L. B. Finance PLC		Delmege Limited	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue / Operating Income	**15,871,551,677**	15,402,164,567	**6,035,620,871**	6,088,348,604
Cost of sales / Operating Expenses	**(5,939,804,692)**	(5,613,351,919)	**(4,396,965,467)**	(4,350,150,844)
Other Income and Gains	**-**	-	**116,813,040**	97,907,112
Administrative expenses	**-**	-	**(648,317,722)**	(687,722,412)
Selling and Distribution Costs	**-**	-	**(477,519,581)**	(692,920,415)
Other Operating Expenses	**-**	-	**-**	(10,672,455)
Finance costs	**-**	-	**(579,908,705)**	(584,368,469)
Finance Income	**-**	-	**70,805,839**	51,776,094
Tax on Financial Services	**(2,278,560,105)**	(2,015,619,490)	**-**	-
Profit before tax	**7,653,186,881**	7,773,193,159	**120,528,276**	(87,802,785)
Income tax Expenses	**(2,442,327,898)**	(2,693,770,991)	**(40,673,675)**	(35,316,790)
Loss After Tax From Discontinued Operations	**-**	-	**-**	2,536,848
Profit for the year	**5,210,858,983**	5,079,422,168	**79,854,601**	(120,582,727)
Other Comprehensive income	**36,009,732**	938,726	**124,241,350**	755,695,446
Total Comprehensive income	**5,246,868,715**	5,080,360,893	**204,095,951**	635,112,719
Group share of profit for the year	**1,358,992,023**	1,324,713,301	**13,980,876**	(20,604,526)
Group share of Total comprehensive income for the year	**1,368,383,361**	1,324,958,121	**36,963,630**	121,180,109

	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Current Assets	**86,207,305,000**	77,705,385,239	**3,977,229,303**	4,151,565,725
Non- Current Assets	**58,114,345,348**	58,765,920,692	**4,793,624,530**	4,685,319,748
Current Liabilities	**86,249,929,000**	81,815,651,329	**3,684,039,791**	2,111,923,820
Non- Current Liabilities	**34,911,940,568**	36,188,685,889	**1,935,726,122**	3,777,934,200
Total Equity	**23,159,780,780**	18,466,968,714	**3,151,087,920**	2,947,027,453
Group's Carrying amount of the investments	**7,773,807,791**	6,778,216,184	**908,940,819**	871,977,189
Group Share of Contingent liabilities	**44,994,520**	1,374,416	**-**	-
Capital and other commitments	**428,865,779**	473,504,884	**-**	-

39. FAIR VALUE MEASUREMENT

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

01. In the principal market for the asset or liability, or

02. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments and are the most observable

Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves

Level 3 : Inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

Management review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

39.1 Assets Measured at Fair Value

As at 31 March		2020					2019			
		Fair Value Measurement Using					Fair Value Measurement Using			
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total Fair Value		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total Fair Value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
	Notes	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Other Financial Assets	12.									
Investments at fair value through profit or loss		**29,041,404**	-	-	**29,041,404**		28,615,066	-	-	28,615,066
		29,041,404	-	-	**29,041,404**		28,615,066	-	-	28,615,066
Property, Plant & Equipment	3.8									
Freehold and Clay Mining Land		-	-	**7,845,078,068**	**7,845,078,068**		-	-	7,815,174,068	7,815,174,068
Buildings		-	-	**6,413,216,291**	**6,413,216,291**		-	-	6,824,390,369	6,824,390,369
Consumable Biological Assets		-	-	**632,176,945**	**632,176,945**		-	-	585,919,801	585,919,801
Investment Property		-	-	**1,727,301,260**	**1,727,301,260**		-	-	1,725,249,760	1,725,249,760
		29,041,404	-	**16,617,772,564**	**16,646,813,968**		28,615,066	-	16,950,733,998	16,979,349,064

There were no transfers into and transfers out of the hierarchy levels during 2019 & 2020.

Financial assets and financial liabilities at amortized cost

Fair value of financial assets and financial liabilities at amortized cost does not materially deviate from carrying value of those as at the reporting date.

Fixed rate financial instruments

Fair Value of interest bearing borrowing at fixed interest rate is amounted to Rs. 813Mn (Rs. 1,056Mn) as at reporting date.

Details of valuation methodologies and assumptions are disclosed in the relevant footnote to the financial statements.

In fair valuing financial assets and financial liabilities with fixed rate, Average Weighted Primary Lending rate published by the CBSL were used.

39.2 Financial Assets and Financial Liabilities not carried at fair value

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

Assets

Trade and Other Receivables,Amounts Due From Related Parties and Cash and short-term deposits

Liabilities

Trade and Other Payables and Amount Due to Related Parties

Majority of the Interest-bearing loans and borrowings balances comprise floating rate instruments therefore fair value of the value due to banks approximate to the carrying value as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

40. AMALGAMATION/ACQUISITION OF ADDITIONAL INTEREST

Amalgamation of Royal Porcelain (Private) Limited

The Boards of Directors of Royal Ceramics Lanka PLC and its fully owned subsidiary, Royal Porcelain (Private) Limited, by Resolutions passed on 6th of September 2019, resolved to amalgamate Royal Porcelain (Private) Limited with Royal Ceramics Lanka PLC, in terms of Section 241(l) of the Companies Act No. 07 of 2007 whereby Royal Ceramics Lanka PLC will continue as the Amalgamated Company. The said amalgamation has taken place on 1st of November 2019 and thereby, Royal Porcelain (Private) Limited ceased to exist effective from that date.

Since the Sri Lanka Accounting Standards are silent on the accounting treatment of an amalgamation, the Company adopted the following reporting practice based on the recommended financial reporting guidelines.

At the date of the amalgamation, the assets and liabilities of Royal Porcelain (Private) Limited were transferred to Royal Ceramics Lanka PLC at carrying Values. The carrying values of assets and liabilities at the date of transfer are as follows

	Carrying Value as at 01.11.2019 Rs.000's
Assets	
Property, Plant & Equipment	1,972,614
Right to use lease assets	60,604
Other Financial Assets	716,266
Other Non financial assets	153,701
Inventories	2,424,076
Trade and Other Receivables	4,847,234
Cash and Cash Equivalents	17,966
	10,192,460
Liabilities	
Interest Bearing Loans & Borrowings	(3,069,497)
Deferred Tax Liabilities	(249,181)
Retirement Benefit Liability	(106,892)
Trade and Other Payables	(953,250)
Other Non Financial Liabilities	(76,257)
Income Tax Liabilities	(293,451)
	(4,748,527)
Total identifiable net assets at carrying value	5,443,933
Investment in the subsidiary by the Company at carrying value	(500,000)
Total equity balances transferred on amalgamation	4,943,933
Components of Cash and Cash Equivalents	
Cash & Bank Balances	17,966
Bank Overdraft	(775,402)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(757,436)

Total equity balances transferred on amalgamation is allocated to the following components of the equity based on the component in which they were recognised in the financial statements of the merged subsidiary; Royal Porcelain (Private) Limited.

	Carrying Value as at 01.11.2019 Rs.000's
- in Revaluation Reserve	362,344
- in Retained Earnings	4,581,589
	4,943,933

Acquisition of additional interest in 2019

In Lanka Walltiles PLC

On 18th June 2018, the Group acquired an additional 2.5% interest in the voting shares of Lanka Walltiles PLC, increasing its effective ownership interest to 54.55%. Cash consideration of Rs. 151,628,079/- was paid to Lanka Ceramic PLC which is a subsidiary company of the group. The carrying value of the net assets of Lanka Walltiles PLC was Rs. 14,449,138,874/-. Following is a schedule of additional interest acquired in Lanka Walltiles PLC.

	Rs.
Cash consideration paid to non-controlling shareholders	2,855,079
Carrying value of the additional interest acquired	34,942,909
Difference recognised in retained earnings	32,087,830

41. DISCONTINUED OPERATIONS

On 25th July 2016, the Board of Directors took a decision to cease the operations of Ever Paint and Chemical Industries (Private) Limited ("EPCI") and to dispose of the assets thereof. EPCI is a fully owned subsidiary of Royal Ceramics Lanka PLC and it was engaged in the business of manufacturing and marketing of paints and allied products. With EPCI being classified as discontinued operations, the paint and allied products segment is no longer presented in the segment note. The results of EPCI for the year is presented below:

During the year 2019/20, Management has reassessed the recoverability of the remaining assets and liabilities as at the reporting date. Management is continued to take steps to dispose the remaining assets of the Company.

	2020 Rs. 000's	2019 Rs. 000's
Net Revenue	-	10,237,659
Cost of Sales	-	(24,664,248)
Operating Income	-	(14,426,589)
Other Operating Income	**1,074,361**	(1,100,475)
Distribution Expenses	**(2,154,947)**	(2,174,933)
Administrative Expenses	**(582,610)**	6,777,794
Loss for the year from discontinued operations	**(1,663,196)**	(10,924,203)

NOTES TO THE FINANCIAL STATEMENTS

The major classes of assets and liabilities of EPCI is classified as held for sale as at the end of the year:

	2020 Rs. 000's	2019 Rs. 000's
Assets		
Property, Plant & Equipment	**36,721,633**	36,721,633
Trade and Other Receivables	**14,695,687**	15,683,449
Cash and Cash Equivalents	**611,771**	2,004,135
Assets Held for Sale	**52,029,091**	54,409,217
Liabilities		
Trade and Other Payables	**(8,167,002)**	(8,223,064)
Liabilities Directly Associated with the Assets Held for Sale	**(8,167,002)**	(8,223,064)
Net Assets Directly Associated with Disposal Group	**43,862,089**	46,186,153

The net cash flows incurred by EPCI is as follows:

	2020 Rs. 000's	2019 Rs. 000's
Operating	**(2,466,724)**	(10,448,637)
Investing	**1,074,361**	6,870,743
Financing	**-**	-
Net cash (outflow)/inflow	**(1,392,363)**	(3,577,894)

	2020 Rs. 000's	2019 Rs. 000's
Earnings Per Share		
Basic, profit/(loss) for the year from discontinued operations	**(0.08)**	(0.55)

The fair value of land and buildings amounting to Rs. 36Mn was determined by Mr. A.A.M. Fathihu, an independent professionally qualified valuer in reference to market based evidence. (valuation report dated 9 April 2018).

Significant increases (decrease) in estimated price per perch/ price per square feet in isolation would result in a significantly higher (lower) fair value.

Price per square feet is in the range of Rs. 3,000/- to Rs. 2,000/-

Price per perch is in the range of Rs. 85,000/ to Rs. 5,000/-

Write-down of Assets held for sale

Significant increases (decrease) in estimated price per perch/ price per square feet in isolation would result in a significantly higher (lower) fair value.

42. IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group/Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group/Company considered whether it has any uncertain tax positions particularly those relating to transfer pricing. Accordingly, the Group/Company determined, based on its tax compliance review, that it is probable that its tax treatments (including those for transfer pricing) will be accepted by the taxation authorities.

The Group/Company adopted IFRIC 23 using the retrospective method of adoption, with the date of initial application of 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

The effect of adopting IFRIC 23 is, as follows:

	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
Company			
Impact on the statement of financial position -increase/(decrease):			
Amounts due to related parties	**211,760,530**	252,562,158	104,001,363
Deferred tax liability	**(59,292,948)**	(70,717,404)	(29,120,382)
Total liabilities	**152,467,582**	181,844,754	74,880,981
Impact on the statement of profit or loss - increase/(decrease):			
Interest expenses	**211,760,530**	252,562,158	104,001,363
Income tax expenses (DT reversal)	**(59,292,948)**	(70,717,404)	(29,120,382)
Profit for the year	**(152,467,582)**	(181,844,754)	(74,880,981)
Impact on statement of cash flows -increase/(decrease):			
Profit before tax	**(211,760,530)**	(252,562,158)	(104,001,363)
Working Capital Changes			
Increase in Trade and Other Payables	**211,760,530**	252,562,158	104,001,363
	-	-	-
Impact on the basic/diluted earnings per share. (increase/(decrease))	**(1.38)**	(1.64)	(0.68)

	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
Group			
Impact on the statement of financial position -increase/(decrease):			
Deferred tax liability	**(59,292,948)**	(70,717,404)	(29,120,382)
Income Tax Liabilities	**59,292,948**	59,504,181	29,120,382
Total liabilities	**-**	(11,213,223)	-
Income Tax Recoverable	**-**	(11,213,223)	-
Total Assets	**-**	(11,213,223)	-

TEN YEAR SUMMARY - COMPANY

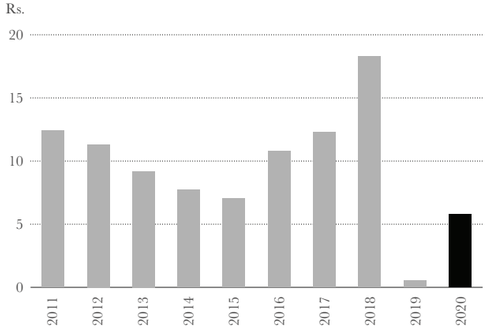
Trading results (RS. '000)	SLFRS									SLAS
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Turnover	**6,445,391**	3,794,578	3,452,289	3,824,905	3,405,538	2,649,933	2,413,817	2,296,295	2,178,913	2,180,608
Other Income	**1,016,944**	1,039,703	2,759,288	1,808,744	1,679,396	1,256,470	1,435,441	1,425,346	2,128,946	1,431,648
Profit before interest & Tax	**1,703,780**	815,937	2,672,951	1,875,976	1,538,438	1,011,066	1,186,310	1,253,552	1,913,930	1,539,784
Interest	**(952,011)**	(795,936)	(432,816)	(386,935)	(360,784)	(376,515)	(518,989)	(364,554)	(834,642)	(72,735)
Profit After Interest Before Tax	**769,656**	32,940	2,247,381	1,489,818	1,177,680	635,642	668,861	918,762	1,270,331	1,467,488
Tax Reversal/Expense	**(122,966)**	24,779	(218,578)	(130,701)	15,315	143,881	185,780	67,724	(15,716)	(93,663)
After Tax Profit from Discontinued Operations	**-**	-	-	-	-		-	31,386	-	-
Net Profit	**646,690**	57,719	2,028,803	1,359,117	1,192,996	779,524	854,641	1,017,873	1,254,614	1,373,825

Statement of Financial Position (RS. '000)	SLFRS									SLAS
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Stated Capital	**1,368,673**	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673
Capital Reserve	**1,192,935**	830,591	830,591	213,634	213,634	213,634	213,634	213,634	-	-
Retained Earnings	**12,023,045**	7,247,365	7,466,546	6,444,557	6,076,307	5,545,482	5,205,382	4,354,880	3,558,586	2,747,129
Shareholders Funds	**14,584,653**	9,446,629	9,665,810	8,026,864	7,658,614	7,127,789	6,787,689	5,937,187	4,927,259	4,115,802
Fixed Assets	**8,690,289**	7,055,383	6,730,677	4,250,818	3,402,847	3,270,216	2,919,364	2,348,987	1,338,152	1,224,633
Right to use lease asset	**965,787**	-	-	-	-	-	-	-	-	-
Other non financial assets	**41,304**	-	-	-	-	-	-	-	-	-
Investments	**9,786,712**	9,769,937	9,618,309	8,320,280	8,046,217	8,153,536	7,830,693	4,616,800	4,602,552	1,430,000
Other Financial Assets	**74,240**	64,758	146,928	43,981	56,771	131,735	197,210	196,470	192,395	183,962
Current Assets	**6,289,860**	3,459,721	2,801,554	2,402,416	2,459,179	2,215,855	1,929,083	2,049,797	2,062,624	3,679,820
Current Liabilities	**(7,146,803)**	(7,307,418)	(5,525,765)	(3,625,785)	(3,485,306)	(3,333,914)	(2,394,873)	(2,048,728)	(2,085,282)	(1,941,945)
Non Current Liabilities	**(4,042,496)**	(3,530,994)	(3,958,965)	(3,515,723)	(3,088,016)	(3,487,254)	(3,859,125)	(1,226,138)	(1,183,183)	(460,667)
Total Equity	**14,584,653**	9,446,629	9,665,810	8,026,864	7,658,614	7,127,789	6,787,689	5,937,187	4,927,259	4,115,802

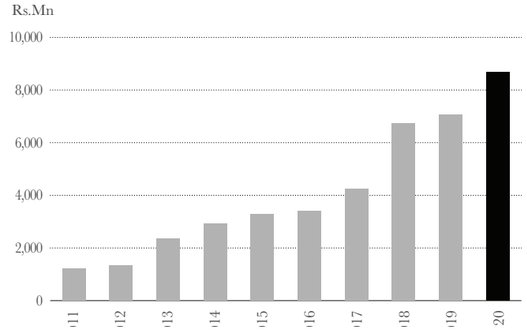
Ratios and Statistics	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Ordinary Dividends (Rs.'000)	**443,158**	221,579	997,104	997,104	664,736	443,158	-	221,579	443,158	276,973
Dividend per Share (Rs)	**4.00**	2.00	9.00	9.00	6.00	4.00	-	2.00	4.00	2.50
Dividend Payout Ratio(%)	**69**	92	49	73	56	57	-	22	35	20
Earnings Per Share (Rs.)	**5.84**	0.52	18	12.27	10.77	7.04	7.71	9.19	11.32	12.40
Market value per share - closing(Rs.)	**55.90**	59.00	105.40	119.00	100.10	111.00	79.30	99.50	115.00	157.00
Market value per share - Highest(Rs.)	**99.10**	109.50	134.70	125.30	137.00	125.00	112.00	118.50	167.50	335.00
Price Earnings Ratio(Times)	**9.58**	113.25	5.76	9.70	9.30	15.77	10.29	10.83	10.16	12.66
Net Assets Per Share(Rs.)	**131.64**	85.27	87.24	72.45	69.13	64.34	61.27	53.59	44.47	37.15
Return on Equity(%)	**4**	1	21	17	16	11	13	17	25	33

TEN YEAR SUMMARY - COMPANY

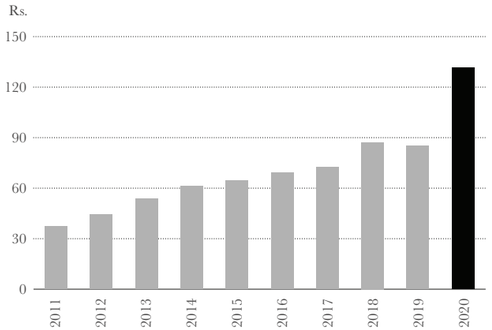
Earnings Per Share



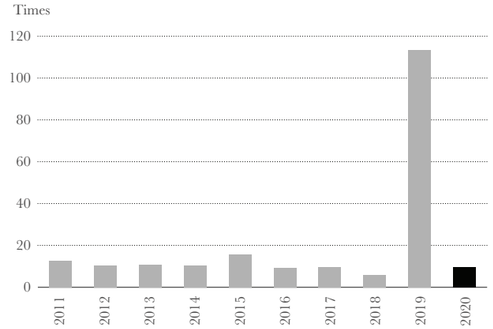
Fixed Assets



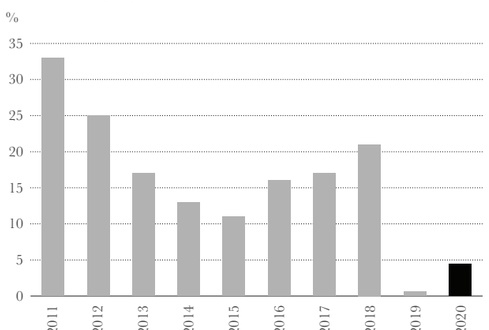
Net Assets Per Share



Price Earnings Ratio



Return on Equity



GROUP VALUE ADDED STATEMENT

	2020			2019		
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Turnover	**34,588,058**				35,266,549	
Finance & Other Income	**193,128**				731,862	
Share of Associate Company's profit	**2,017,053**				2,012,679	
	36,798,239				38,011,090	
Less: Cost of Material & Services bought in	**19,919,800**				20,480,993	
	16,878,439				17,530,097	
Value Allocated to Employees						
Salaries and Wages and Other Benefits		**5,286,817**	**31%**		4,871,486	28%
To Government						
Income Tax	**1,446,795**			1,699,727		
VAT/NBT	**3,344,746**	**4,791,541**	**28%**	4,265,627	5,965,354	34%
To Providers of Capital						
Dividends	**443,158**			345,265		
Finance Cost	**2,286,195**	**2,729,353**	**16%**	1,907,269	2,252,534	13%
To Expansion and Growth						
Retained in Business	**2,253,522**			2,762,362		
Depreciation	**1,817,206**	**4,070,728**	**25%**	1,678,361	4,440,723	25%
		16,878,439	**100%**		17,530,097	100%

SHARE INFORMATION

SHARE DISTRIBUTION

Shareholding as at 31st March 2020

There were 11,516 registered shareholders as at 31st March 2020, distributed as follows

Number of Shares Held	Number of Shareholders	Number of Shares	% Shareholding
1 - 1,000	10,005	2,121,884	1.91
1,001 - 10,000	1,188	4,037,707	3.65
10,001 - 100,000	276	8,486,786	7.66
100,001 - 1,000,000	40	10,662,275	9.62
1,000,000 & over	7	85,480,732	77.16
Total	11,516	110,789,384	100.00

42.40% of shares were held by public as at 31st March 2020

Category Shareholders	Number of Shareholders	Number of Shares	% Shareholding
Local Individuals	11,015	14,977,678	13.52
Local Institutions	378	90,428,182	81.62
Foreign Individuals	115	573,765	0.52
Foreign Institutions	8	4,809,759	4.34
Total	11,516	110,789,384	100.00

Share Prices for the year

	2019/20		2018/19	
	Date	Price	Date	Price
Highest during the year	**28.11.2019**	**99.10**	02.05.2018	109.50
Lowest during the year	**20.03.2020**	**53.00**	22.03.2019	58.00
As at end of the year		**55.90**		59.00

Public Holding Percentage as at 31st March 2020 - 42.40%

Number of shareholders representing the above Percentage - 11,507

The float adjusted market capitalization as at 31st March 2020 - Rs. 2,626,158,018.90

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

TWENTY MAJOR SHAREHOLDERS

Name	31st March 2020		31st March 2019	
	No of Shares	% of Issued Capital	No of Shares	% of Issued Capital
1. Vallibel One PLC	**62,002,600**	**55.964**	62,002,600	55.964
2. Employees Provident Fund	**15,277,998**	**13.790**	15,277,998	13.790
3. MSCO-Briarwood Capital Partners LP	**1,972,748**	**1.781**	1,972,748	1.781
4. Seylan Bank PLC/W.D.N.H.Perera	**1,841,196**	**1.662**	862,495	0.778
5. National Savings Bank	**1,748,679**	**1.578**	1,748,679	1.578
6. Pershing LLC S/A Averbach Grauson & Co.	**1,537,511**	**1.388**	4,738,453	4.277
7. BNYMSAW Re-Compass Asia Partners,L.P.	**1,100,000**	**0.993**	1,100,000	0.993
8. Mr A.M.Weerasinghe	**862,401**	**0.778**	812,401	0.733
9. AIA Insurance Lanka Limited A/C No.07	**785,491**	**0.709**	745,000	0.672
10. Mercantile Investments And Finance PLC	**550,000**	**0.496**	550,000	0.496
11. Mrs S.N.Fernando	**550,000**	**0.496**	550,000	0.496
12. Amaya Leisure PLC	**521,600**	**0.471**	521,600	0.471
13. DFCC Bank PLC A/C No.02	**500,000**	**0.451**	-	-
14. Mr K.N.J.Balendra	**500,000**	**0.451**	-	-
15. Employees Trust Fund Board	**479,349**	**0.433**	479,349	0.433
16. Bank of Ceylon-No2 A/C (BOC PTF)	**469,410**	**0.424**	469,410	0.424
17. Sri Lanka Insurance Corporation Ltd-Life Fund	**358,905**	**0.324**	-	-
18. AIA Insurance Lanka Limited A/C No.06	**333,483**	**0.301**	131,483	0.120
19. Mr D.L.B.C.Perera & Mrs I.V.Kariyakarawana	**319,242**	**0.288**	329,242	0.297
20. Pinnacle Trust (Pvt) Limited	**266,491**	**0.241**	266,491	0.241
	91,977,104	**83.020**	92,557,949	83.546
Others	**18,812,280**	**16.980**	18,231,435	16.454
Total	**110,789,384**	**100.00**	110,789,384	100.000

GRI INDEX

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GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

CAPITAL EMPLOYED
Total assets less interest free liabilities.

CASH AND CASH EQUIVALENT
Short-term highly liquid assets those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CONTINGENCIES
A condition or situation existing at the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

CURRENT RATIO
Current assets divided by current liabilities.

GEARING RATIO
Interest bearing borrowings divided by equity plus interest bearing borrowings.

DEFERRED TAXATION
Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

QUICK ASSET RATION
Current assets including inventories divided by current liabilities.

DIVIDEND PAYOUT RATIO
Dividends Per Share divided by Earnings Per Share.

EARNINGS PER SHARE
Profits attributable to ordinary Shareholders divided by the number of ordinary shares in issue and ranking for dividend.

GROSS DIVIDEND
Portion of profits, inclusive of tax withheld, distributed to Shareholders.

INTEREST COVER
Earnings before interest, tax, divided by net finance expenses.

NET ASSETS PER SHARE
Shareholders' funds divided by the number of ordinary shares issued.

OPERATING PROFIT MARGIN
Operating profit divided by turnover

PRICE EARNINGS RATIO
Market price of a share divided by Earnings per share.

RELATED PARTIES
Parties who could control or significantly influence the financial and operating policies of the business.

RETURN ON ASSETS
Net profit for the year divided by assets.

RETURN ON EQUITY
Net profit for the year divided by Equity.

SHAREHOLDERS' FUNDS
Total of issued and fully paid up capital and reserves.

VALUE ADDITIONS
The quantum of wealth generated by the activities of the group and its application.

WORKING CAPITAL
Capital required to finance the day-to-day operations (current assets minus current liabilities).

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 30th Annual General Meeting of the Company will be held by way of electronic means on 31st July 2020 at 1.00 pm centred at the Boardroom of the Company at No. 20, R A De Mel Mawatha, Colombo 03

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2020 and the Report of the Auditors thereon.

2. To re-elect Ms. N R Thambiayah, who retires by rotation in terms of the Articles of Association, as a Director of the Company

3. To pass the ordinary resolution set out below to appoint Mr. R N Asirwatham who is 77 years of age, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 77 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

4. To pass the ordinary resolution set out below to re- appoint Mr. L N de S Wijeyeratne who is 70 years of age, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. L N de S Wijeyeratne who is 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

5. To elect Mr. S M Liyanage who retires in terms of the Articles of Associations, as a Director of the Company.

6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine payments for the year 2020/2021 and upto the date of the next Annual General Meeting for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board
ROYAL CERAMICS LANKA PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
02 July 2020

Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process enclosed herewith.

NOTES

FORM OF PROXY

*I/We…….…… holder of NIC No…….....

of…….…. being a *Shareholder /Shareholders of Royal Ceramics Lanka PLC, do hereby appoint

…… holder of NIC No……..... of ……or failing him/her

Mr. Dhammika Perera	or failing him
Mr. A M Weerasinghe	or failing him
Mr. M Y A Perera	or failing him
Mr. T G Thoradeniya	or failing him
Mr. G A R D Prasanna	or failing him
Mr. R N Asirwatham	or failing him
Mr. S H Amarasekera	or failing him
Ms. N R Thambiayah	or failing her
Mr. L N de S Wijeyeratne	or failing him
Mr. N J Weerakoon	or failing him
Mr. S M Liyanage	

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 31st July 2020 at 01.00 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Ms. N R Thambiayah, who retires by rotation in terms of the Articles of Association, as a Director of the Company.	☐	☐
2. To pass the ordinary resolution set out below to appoint Mr. R N Asirwatham who is 77 years of age, as a Director of the Company; "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 77 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"	☐	☐
3. To pass the ordinary resolution set out below to re- appoint Mr. L N de S Wijeyeratne who is 70 years of age, as a Director of the Company; "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. L N de S Wijeyeratne who is 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"	☐	☐
4. To elect Mr. S M Liyanage, who retires by in terms of the Articles of Association, as a Director of the Company.	☐	☐
5. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.	☐	☐
6. To authorize the Directors to determine payments for the year 2020/2021 and upto the date of the next Annual General Meeting for Charitable and other purposes as set out in the Companies Donations Act (Cap 147).	☐	☐

Signed this…… day of ……. Two Thousand and Twenty.

……
Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to rcl.pwcs@gmail.com by 01.00 p.m on 29th July 2020.

CORPORATE INFORMATION

NAME OF THE COMPANY

Royal Ceramics Lanka PLC

LEGAL FORM

A Public Quoted Company with limited liability incorporated
Under the provisions of Companies Act No. 7 of 2007

DATE OF INCORPORATION

29th August 1990

COMPANY REGISTRATION NUMBER

PQ 125

NATURE OF BUSINESS

Manufacture and sale of Porcelain & Ceramic Tiles

BOARD OF DIRECTORS

Mr. Dhammika Perera (Chairman)
Mr. A M Weerasinghe (Deputy Chairman)
Mr. M Y A Perera (Managing Director)
Mr. T G Thoradeniya
(Director Marketing & Business Development)
Mr. G A R D Prasanna
Mr. R N Asirwatham
Mr. S H Amarasekara
Ms. N R Thambiayah
Mr. L N de S Wijeyeratne
Mr. N J Weerakoon (Appointed w.e.f. 17th May 2019)
Mr. S M Liyanage (Appointed w.e.f. 21th February 2020)

HEAD OFFICE AND REGISTERED OFFICE

20, R. A de Mel Mawatha, Colombo 03.
Tel : 011 4799400
Fax : 011 4720077
Email : ho.gen@rcl.lk
Website : www.rocell.com

SUBSIDIARY COMPANIES

Rocell Bathware Limited.
Royal Ceramics Distributors (Private) Limited.
Ever Paint and Chemical Industries (Private) Limited.
Lanka Ceramic PLC
Nilano Garments (Private) Limited.
Rocell Pty Ltd
Rocell Ceramics Limited
Lanka Walltiles PLC and its subsidiaries

ASSOCIATE COMPANIES

Delmege Limited
L B Finance PLC

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road,
Colombo 08.
Tel : 011 4640360-3
Fax : 011 4740588
Email : pwcs@pwcs.lk

EXTERNAL AUDITORS

Ernst & Young,
Chartered Accountants
201, De Saram Place,
P.O. Box 101,
Colombo 10.

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Standard Chartered Bank Ltd.
HSBC Ltd.
DFCC Bank PLC
Seylan Bank PLC
Bank of Ceylon
PABC Bank PLC
Sampath Bank PLC
MCB Bank Ltd.

Designed & produced by
emagewise
Digital Plates & Printing by
Softwave Printing and Publishing (Pvt) Ltd

Eternal elegance

ROYAL CERAMICS LANKA PLC
No 20, R.A. De Mel Mawatha, Colombo 3, Sri Lanka.
www.rocell.com